

TSFC Securities Public Company Limited  
Report and financial statements  
For the six-month period ended 30 June 2019

## Independent Auditor's Report

To the Shareholders of TSFC Securities Public Company Limited

### Opinion

I have audited the accompanying financial statements of TSFC Securities Public Company Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the related statements of comprehensive income, changes in owners' equity and cash flows for the six-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSFC Securities Public Company Limited as at 30 June 2019, its financial performance and cash flows for the period then ended in accordance with Thai Financial Reporting Standards.

### Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants as issued by the Federation of Accounting Professions as relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements as a whole.

Key audit matters and how audit procedures respond for each matter are described below.

### **Revenue from interest on margin loans**

The Company's revenues mainly consisted of interest on margin loans, which amounted to Baht 119 million for the six-month period ended 30 June 2019, representing 87% of the Company's total revenues. The Company charges interest on margin loans at fixed interest rates that are adjusted periodically based on market conditions and competitive environment. Because of the size and volume of transactions, the number of customers, and the recognition of revenue from interest on margin loans relying primarily on data processed by information systems, I addressed the measurement and occurrence of interest on margin loans as key audit matter.

The audit procedures I performed were to assess and test, on a sampling basis, the Company's internal controls relevant to margin loans and recognition of interest on margin loans, including computer-based controls relevant to the calculation of interest on margin loans. I also tested, on a sampling basis, interest rates, calculation and account recording. In addition, I performed analytical procedures on interest on margin loans and examined, on a sampling basis, material manual adjustments via journal vouchers.

### **Allowance for doubtful accounts for loans and securities business receivables**

As discussed in Note 4.8 to the financial statements, the allowance for doubtful accounts is determined through consideration of specific reviews, collection risk and the value of the collateral. For credit balance transactions, the Company has policies regarding the collateral to be placed, with the value of collateral placed dependent on the type of transaction, type of securities and credit limit, among other factors. The estimation of allowance for doubtful accounts is significant because of the number of the customers and the significance of the amount of the receivables to the Company's financial statements. Therefore, I addressed the adequacy of allowance for doubtful accounts for such receivables as a key audit matter.

I have performed audit procedures on the allowance for doubtful accounts as follows:

- I assessed, and tested on a sampling basis, the Company's internal controls relevant to the calculation of allowance for doubtful accounts and the recording of allowance for doubtful accounts. I also assessed the methods applied by the Company to the determination and calculation of the allowance, and compared the Company's policy with regulatory requirements. Moreover, I tested certain controls over the computer-based controls relevant to the status of account receivables, the calculation of the collateral value and the revaluation adjustments made to the fair values of collateral.
- I examined the allowance for doubtful accounts as at the period-end date by testing the completeness of the data used in the calculation of allowance for doubtful accounts, testing on a sampling basis the status of outstanding debts, the valuation of collateral items, collections of debt after the period-end date, the correctness of the debt classification and the calculation of the allowance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Thai Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Thai Standards on Auditing, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

I am responsible for the audit resulting in this independent auditor's report.



Sumana Punpongsanon  
Certified Public Accountant (Thailand) No. 5872

EY Office Limited  
Bangkok: 2 September 2019

TSFC Securities Public Company Limited

Statement of financial position

As at 30 June 2019

(Unit: Baht)

	Note	30 June 2019	31 December 2018
<b>Assets</b>			
Cash and cash equivalents	6	1,126,512	2,122,876
Receivables from Clearing House		7,614,197	23,297,250
Securities business receivables	7	3,695,183,657	3,665,504,925
Investments	9	147,431,792	169,977,659
Loans	10	1,017,000,000	797,110,411
Equipment	11	4,850,920	5,658,970
Intangible assets	12	2,934,700	3,611,957
Deferred tax assets	24	8,231,274	8,214,650
Other assets	13	7,153,100	6,995,627
<b>Total assets</b>		<b>4,891,526,152</b>	<b>4,682,494,325</b>

The accompanying notes are an integral part of the financial statements.

*Araya Yom*

(Mrs. Araya Yommana)

Director



**TSFC**

Securities Public Company Limited

บริษัทหลักทรัพย์ สาธารณะ จำกัด (มหาชน)

*Malaiporn Pornlert*

(Miss Malaiporn Pornlert)

Assistant Vice President of  
Finance and Budget Department

**TSFC Securities Public Company Limited**  
**Statement of financial position (continued)**  
**As at 30 June 2019**

(Unit: Baht)

	<u>Note</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Borrowings from financial institutions	14	2,259,943,392	2,234,944,104
Payables to Clearing House		44,864,448	38,383,314
Securities business payables	15	205,944,811	50,619,557
Income tax payable		10,183,430	10,019,556
Debt issued and borrowings	16	588,586,032	565,273,485
Provisions for long-term employee benefits	26.2	19,676,150	14,684,645
Other liabilities	17	13,007,476	21,296,533
<b>Total liabilities</b>		3,142,205,739	2,935,221,194
<b>Owners' equity</b>			
Issued and paid-up share capital			
Ordinary shares	18	1,549,125,840	1,549,125,840
Retained earnings			
Appropriated - statutory reserve	19	26,238,127	26,238,127
Unappropriated		173,969,087	172,052,407
Other components of owners' equity	9.3	(12,641)	(143,243)
<b>Total owners' equity</b>		1,749,320,413	1,747,273,131
<b>Total liabilities and owners' equity</b>		4,891,526,152	4,682,494,325

The accompanying notes are an integral part of the financial statements.

*Araya Yom.*

(Mrs. Araya Yommana)

Director



**Securities Public Company Limited**  
 บริษัทหลักทรัพย์ เพื่อธุรกิจหลักทรัพย์ จำกัด มหาชน

*Malaiporn Pornlert*

(Miss Malaiporn Pornlert)

Assistant Vice President of  
 Finance and Budget Department




**TSFC Securities Public Company Limited**  
**Statement of comprehensive income**  
**For the six-month period ended 30 June 2019**

		(Unit: Baht)	
	Note	2019	2018
<b>Revenues</b>			
Fees and service income	21	205,337	186,611
Interest on margin loans		118,602,317	129,917,932
Gains and return on financial instruments	22	17,167,173	12,348,271
Other incomes		17,164	59,216
<b>Total revenues</b>		<u>135,991,991</u>	<u>142,512,030</u>
<b>Expenses</b>			
Employee benefits expenses		35,342,818	31,695,784
Fees and service expenses		1,150,092	885,368
Finance costs		32,452,555	32,029,675
Reversal of bad debt and doubtful accounts	8	(1,529,345)	(2,774,596)
Other expenses		17,796,889	19,149,774
<b>Total expenses</b>		<u>85,213,009</u>	<u>80,986,005</u>
<b>Profit before income tax</b>		50,778,982	61,526,025
Income tax expenses	24	(10,134,156)	(12,280,850)
<b>Profit for the period</b>		<u>40,644,826</u>	<u>49,245,175</u>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gain (loss) on remeasuring available-for-sale investments	9.3	163,253	(267,081)
Less: Income tax effect	24	(32,651)	53,416
Items that will be reclassified subsequently to profit or loss - net of income tax		<u>130,602</u>	<u>(213,665)</u>
<b>Other comprehensive income for the period</b>		<u>130,602</u>	<u>(213,665)</u>
<b>Total comprehensive income for the period</b>		<u><u>40,775,428</u></u>	<u><u>49,031,510</u></u>
<b>Basic earnings per share</b>			
Profit for the period	25	<u>0.26</u>	<u>0.32</u>

The accompanying notes are an integral part of the financial statements.

  
 (Mrs. Araya Yommana)  
 Director



  
 (Miss Malaiporn Pornlert)  
 Assistant Vice President of  
 Finance and Budget Department

**TSFC Securities Public Company Limited**  
**Statement of changes in owners' equity**  
**For the six-month period ended 30 June 2019**

(Unit: Baht)

	Note	Issued and paid-up share capital	Retained earnings		Other components of owner's equity Gain (loss) on remeasuring available-for-sale investments	Total owners' equity
			Appropriated	Unappropriated		
<b>Balance as at 1 January 2018</b>		1,549,125,840	21,612,240	115,143,059	109,343	1,685,990,482
<u>Change during the period</u>						
Profit for the period		-	-	49,245,175	-	49,245,175
Other comprehensive income for the period		-	-	-	(213,665)	(213,665)
Total comprehensive income for the period		-	-	49,245,175	(213,665)	49,031,510
Dividend paid	20	-	-	(30,982,517)	-	(30,982,517)
<b>Balance as at 30 June 2018</b>		<u>1,549,125,840</u>	<u>21,612,240</u>	<u>133,405,717</u>	<u>(104,322)</u>	<u>1,704,039,475</u>
<b>Balance as at 1 January 2019</b>		1,549,125,840	26,238,127	172,052,407	(143,243)	1,747,273,131
<u>Change during the period</u>						
Profit for the period		-	-	40,644,826	-	40,644,826
Other comprehensive income for the period		-	-	-	130,602	130,602
Total comprehensive income for the period		-	-	40,644,826	130,602	40,775,428
Dividend paid	20	-	-	(38,728,146)	-	(38,728,146)
<b>Balance as at 30 June 2019</b>		<u>1,549,125,840</u>	<u>26,238,127</u>	<u>173,969,087</u>	<u>(12,641)</u>	<u>1,749,320,413</u>

The accompanying notes are an integral part of the financial statements.

**TSFC Securities Public Company Limited**  
**Statement of cash flows**  
**For the six-month period ended 30 June 2019**

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Profit before income tax	50,778,982	61,526,025
Adjustments to reconcile profit before tax to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	1,690,152	2,667,727
Reversal of bad debts and doubtful accounts	(1,529,345)	(2,774,596)
Loss (gain) on investments	1,478	(37,004)
Finance costs	32,452,555	32,029,675
Interest and dividend income	(17,163,319)	(12,311,267)
Interest on margin loans	(118,602,317)	(129,917,932)
Long-term employee benefits expenses	5,250,041	591,712
Loss from operating activities before changes in operating assets and liabilities	(47,121,773)	(48,225,660)
Decrease (increase) in operating assets		
Securities purchased under resale agreements	-	300,000,000
Receivables from Clearing House	15,683,053	(13,478,024)
Securities business receivables	90,391,067	(356,302,604)
Investments	(2,003,506)	(820,629)
Loans to financial institutions	(219,938,138)	(290,000,000)
Other assets	(799,572)	87,205
Increase (decrease) in operating liabilities		
Borrowings from financial institutions	24,999,288	601,028,396
Payables to Clearing House	6,481,134	(56,760,391)
Securities business payables	155,325,254	(25,799,196)
Short-term debt issued and borrowings	23,312,547	(105,691,393)
Cash paid for long-term employee benefits	(258,536)	(862,050)
Other liabilities	(8,608,107)	(5,672,735)
Net cash flows from (used in) operating activities	37,462,711	(2,497,081)
Cash received from interest income	14,280,232	10,052,956
Cash paid for interest expenses	(31,734,906)	(30,682,497)
Cash paid for corporate income tax	(10,019,556)	(9,563,831)
<b>Net cash flows from (used in) operating activities</b>	<u>9,988,481</u>	<u>(32,690,453)</u>

The accompanying notes are an integral part of the financial statements.

**TSFC Securities Public Company Limited**  
**Statement of cash flows (continued)**  
**For the six-month period ended 30 June 2019**

	(Unit: Baht)	
	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities</b>		
Cash paid for purchase of available-for-sale investments	(565,196,278)	(270,042,991)
Cash received from disposal available-for-sale investments	589,907,427	329,905,020
Cash received from dividends	1,750	-
Cash received from interest on investments	3,633,846	1,934,429
Cash paid for purchase of other investments	-	(256,800)
Cash paid for purchase of equipment	(204,845)	(834,701)
Cash paid for purchase of intangible assets	-	(8,560)
<b>Net cash flows from investing activities</b>	<u>28,141,900</u>	<u>60,696,397</u>
<b>Cash flows from financial activities</b>		
Dividend paid	(38,728,146)	(30,982,517)
Cash paid for liabilities under finance lease agreements	(398,599)	(267,030)
<b>Net cash flows used in financial activities</b>	<u>(39,126,745)</u>	<u>(31,249,547)</u>
<b>Net decrease in cash and cash equivalents</b>	(996,364)	(3,243,603)
Cash and cash equivalents at beginning of period	<u>2,122,876</u>	<u>5,190,496</u>
<b>Cash and cash equivalents at end of period (Note 6)</b>	<u><u>1,126,512</u></u>	<u><u>1,946,893</u></u>

The accompanying notes are an integral part of the financial statements.

**TSFC Securities Public Company Limited**  
**Notes to financial statements**  
**For the six-month period ended 30 June 2019**

**1. General information**

TSFC Securities Public Company Limited (hereinafter referred to as “the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in securities business and has two business licenses to engage in granting credits to securities business and securities borrowing and lending business. Its registered address is located at No. 898, Ploenchit Tower, 10th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok.

**2. Basis of preparation**

The financial statements for the six-month period ended 30 June 2019 have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Profession Act. B.E. 2547, and reference to the principles stipulated by of the Office of the Securities and Exchange Commission (“SEC”). The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Office of the SEC relating to the format of the financial statements of securities companies (version 2), No. SorThor. 22/2559 dated 2 June 2016.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**3. New financial reporting standards**

**(a) Financial reporting standards that became effective in the current period**

During the period, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below:

## **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

### **(b) Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

#### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

#### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

## **4. Significant accounting policies**

### **4.1 Revenue and expenses recognition**

#### **a) Revenue recognition**

The Company recognises interest income on loans and receivables on an accrual basis, based on the amount principal outstanding, except for interest on loans to and amounts receivable from financial institutions and securities companies which are overdue more than 90 days where income is recognised on the basis of the amount collected.

The Company ceases recognising income from securities business loans on an accrual basis when there is uncertainty as to the collectability of the loans and interest.

In the following cases collectability of loans and interest is held to be uncertain.

- (1) Loans are not fully collateralised.
- (2) Installment loans with repayments scheduled no more than 3 months for each installment, which principal or interest is overdue more than 3 months.
- (3) Installment loans with repayments scheduled no less than 3 months for each installment, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- (4) Problem financial institutions debtors.
- (5) Other receivables of which interest payment is overdue 3 months or more.

These conditions are based on the guidelines stipulated by the Office of the Securities and Exchange Commission.

The Company recognises interest income on securities on an accrual basis. Dividends are recognised as income when the right to receive the dividends is established.

Gain (loss) on trading in securities is recognised as income/expense on the transaction dates.

The Company recognises the surcharges on the collection basis for securities purchased under resale agreements which are not repurchased under the conditions.

Fees and services income is recognised on an accrual basis.

#### b) Expenses recognition

The Company recognises expenses on an accrual basis.

## **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.



#### **4.3 Recognition and amortisation of customers assets**

Cash received from customers of credit balance accounts are recorded as assets and liabilities of the Company for the internal control purposes. At the end of the reporting period, the Company excludes these amounts from both assets and liabilities and presents only the assets which belong to the Company.

#### **4.4 Securities borrowing and lending**

The Company records its obligations to return borrowed securities which it has been sold as short selling or lent as "Securities borrowing and lending payables" and securities lent to customers are recorded as "Securities borrowing and lending receivables" in the statements of financial position. At the end of the reporting period, the balance of "Securities borrowing and lending payables" and "Securities borrowing and lending receivables" are adjusted based on the closing price quoted on the Stock Exchange of Thailand of the last working day of the reporting period. In addition, the Company records cash paid as collateral for securities borrowing as "Collateral receivables" and cash received as collateral for securities lending as "Collateral payables".

Fees from borrowing and lending are recognised on an accrual basis over the term of the lending.

#### **4.5 Securities purchased under resale agreements**

The Company enters into purchase of securities under agreements to resale securities at certain dates in the future at a fixed price. Securities purchased under resale agreements presented as assets in the statements of financial position are stated at amounts paid for the purchase of those securities.

The difference between the purchase and sale considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

#### **4.6 Receivables from Clearing House**

Receivables from Clearing House comprises the net receivable from Thailand Clearing House (TCH) for settlement of equity securities trades made through the Stock Exchange of Thailand.

#### **4.7 Securities business receivables**

Securities business receivables are the net balances of securities business receivables after deducting allowance for doubtful accounts.

In addition, securities business receivables include customer trading transactions during the last 2 days of the accounting period, for which settlement was not yet due as at the end of reporting period, credit balance accounts, securities borrowings and lending receivables, collateral receivables (which comprise cash pledged as security with securities lenders) and other receivables such as securities receivables which are the subject of legal proceedings, are undergoing restructuring or are being settled in installments.

#### **4.8 Allowance for doubtful accounts**

The allowance for doubtful accounts is based on management's evaluation of the adequacy of the reserve for doubtful accounts of each account. The evaluation encompasses consideration of past collection experience and other factors such as collection risk and the value of the collateral, including the change in composition and volume of receivables and the relationship of the reserve to the portfolio and local economic conditions and compliance with the Office of the Securities and Exchange Commission's notification regarding the accounting for sub-standard loans of securities companies which undertake the granting of credits to securities businesses.

#### **4.9 Investments**

- a) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.
- b) Investments in debt securities which expected to be held to maturity are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/accreted amount presented as an adjustment to the interest income.
- c) Investment in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association as at the last working day of the reporting period. The fair value of unit trusts is determined from their net asset value as at the end of reporting period.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **4.10 Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for all equipment using the straight-line basis over the estimated useful lives as follows:

Leasehold improvement	5 - 6 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Depreciation is included in determining income.

Expenditures for additions, renewals and betterments, which result in a substantial increase in an asset's current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

#### **4.11 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite lives are as follows:

Computer software	5 years
-------------------	---------

#### **4.12 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in profit or loss.

#### **4.13 Long-term leases**

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the useful life of the asset.

Leases of building or equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

#### **4.14 Payables to Clearing House**

Payables to Clearing House comprises the net payable to Thailand Clearing House (TCH) for settlement of equity securities trades made through the Stock Exchange of Thailand.

#### **4.15 Securities business payables**

Securities business payables are the obligations of the Company in respect of its securities business with outside parties, such as customer trading transactions during the last 2 days of the accounting period, for which settlement was not yet due as at the end of reporting period, securities delivery obligations as a result of securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

#### **4.16 Employee benefits**

##### ***Short-term employee benefits***

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### ***Post-employment benefits***

###### *Defined contribution plans*

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company's contributions are recognised as expenses when incurred.

### *Defined benefit plans*

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in other comprehensive income.

#### **4.17 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.18 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to owners' equity if the tax relates to items that are recorded directly to owners' equity.

#### **4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company applies a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company measures fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement as follows:

- Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities
- Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly
- Level 3 - Use of unobservable inputs such as estimates of future cash flows

At the end of each reporting period, the Company determines whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis.

#### **4.20 Related party transactions**

Related parties comprise individuals or enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals or enterprises which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

## 5. Significant accounting judgements and estimates

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgements and estimates are as follows:

### ***Recognition and derecognition of assets and liabilities***

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

### ***Allowance for doubtful accounts for loans and securities business receivables***

Allowances for doubtful accounts for loans and securities business receivables are intended to adjust the values of loans and receivables for probable credit losses. The management uses judgement to establish reserves for estimated losses of each outstanding loan and securities business receivable by taking into account collection risk and the value of the security used as collateral. However, the use of different estimates and assumptions could affect the amounts of allowances for doubtful accounts and adjustments to the allowances may therefore be required in the future.

### ***Equipment/Depreciation***

In determining depreciation of equipment, the management is required to make estimates of the useful lives and residual values of the Company's equipment and to review estimate residual lives and salvage values when there are any changes.

In addition, the management is required to review equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

### ***Intangible assets***

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### ***Post-employment benefits under defined benefit plans***

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

#### **6. Cash and cash equivalents**

	(Unit: Thousand Baht)	
	30 June 2019	31 December 2018
Cash	30	30
Saving and current deposits	62,343	91,206
Less: Deposits for customers' account	(61,246)	(89,113)
Total cash and cash equivalents	<u>1,127</u>	<u>2,123</u>

#### **Supplemental cash flows information**

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2019	2018
Non-cash items		
Purchases of assets under finance lease agreements	-	2,430
Gain (loss) on remeasuring available-for-sale investments	163	(267)

#### **7. Securities business receivables**

	(Unit: Thousand Baht)	
	30 June 2019	31 December 2018
Customers' accounts - credit balance	3,544,290	3,665,450
Collateral receivables	79,078	-
Securities borrowing and lending receivables	71,886	-
Other receivables	187,552	188,952
Total	<u>3,882,806</u>	<u>3,854,402</u>
Add: Accrued interest income	1	194
Less: Allowance for doubtful accounts	(187,623)	(189,091)
Securities business receivables	<u>3,695,184</u>	<u>3,665,505</u>



- 7.1 As at 30 June 2019, the Company had discontinued recognising income from securities business receivables with total outstanding balances of approximately Baht 187.6 million (31 December 2018: Baht 189.0 million).
- 7.2 As at 30 June 2019 and 31 December 2018, the Company has classified securities business receivables according with the Notification of the Office of the Securities and Exchange Commission governing accounting for doubtful debts of securities companies. The Company classified securities business receivables as follows:

(Unit: Million Baht)

	30 June 2019			31 December 2018		
	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts	Securities business receivables	Allowance for doubtful accounts set up by the Company	Net securities business receivables after allowance for doubtful accounts
Normal debt	3,695	-	3,695	3,665	-	3,665
Doubtful debt	188	(188)	-	189	(189)	-
Total	3,883	(188)	3,695	3,854	(189)	3,665

## 8. Allowance for doubtful accounts

Movements of allowance for doubtful accounts for loans to financial institutions and securities business receivables are summarised below.

(Unit: Thousand Baht)

	For the six-month period ended 30 June 2019			For the year ended 31 December 2018		
	Normal debt	Doubtful debt	Total	Normal debt	Doubtful debt	Total
Balance - beginning of the period/year	3,000	300,973	303,973	11,698	308,446	320,144
Doubtful accounts	-	(1,467)	(1,467)	(8,698)	8,837	139
Bad debt recoverable	-	(62)	(62)	-	(3,000)	(3,000)
Bad debt write-off	-	-	-	-	(13,310)	(13,310)
Balance - end of the period/year	3,000	299,444	302,444	3,000	300,973*	303,973

\* Allowance for doubtful accounts amounting to Baht 301 million comprised the following.

- Baht 263 million prior to the completion of the Company's capital restructuring on 24 July 2009
- Baht 29 million during 2010 - 2014
- No transaction in 2015 - 2017
- Baht 9 million was transferred from normal debt during 2018

## 9. Investments

### 9.1 Cost and fair value

(Unit: Thousand Baht)

	30 June 2019		31 December 2018	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
	<b>Available-for-sale securities</b>			
Debt securities				
Government bonds	284,458	284,436	394,156	393,971
Less: Allowance for revaluation of securities	(22)	-	(185)	-
Government securities for customers' account	(137,277)	(137,277)	(224,266)	(224,266)
<b>Total debt securities</b>	<b>147,159</b>	<b>147,159</b>	<b>169,705</b>	<b>169,705</b>
Unit trusts				
Equity fund	10	16	10	16
Add: Allowance for revaluation of securities	6	-	6	-
<b>Total unit trusts</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>
<b>Total available-for-sale securities</b>	<b>147,175</b>	<b>147,175</b>	<b>169,721</b>	<b>169,721</b>
<b>Other investments</b>				
Equity securities	257		257	
<b>Total other investments</b>	<b>257</b>		<b>257</b>	
<b>Total investments</b>	<b>147,432</b>		<b>169,978</b>	

### 9.2 Investments in debt securities classified by the remaining year to maturities of contracts

(Unit: Thousand Baht)

	30 June 2019				31 December 2018			
	Not over 1 year	1 - 5 years	Over 5 years	Total	Not over 1 year	1 - 5 years	Over 5 years	Total
	Available-for-sale debt securities	239,556	44,880	-	284,436	299,343	94,628	-
<b>Total</b>	<b>239,556</b>	<b>44,880</b>	<b>-</b>	<b>284,436</b>	<b>299,343</b>	<b>94,628</b>	<b>-</b>	<b>393,971</b>

### 9.3 Gain (loss) on remeasuring available-for-sale investments

	(Unit: Thousand Baht)	
	For the six-month period ended 30 June 2019	For the year ended 31 December 2018
Balance - beginning of the period/year (net of income tax)	(143)	109
Changes during the period/year		
- from revaluation (before net of income tax)	163	(315)
- income tax	(33)	63
Balance - end of the period/year	<u>(13)</u>	<u>(143)</u>

### 10. Loans

	(Unit: Thousand Baht)	
	30 June 2019	31 December 2018
At call	741,821	161,882
Not over 1 year	390,000	750,000
Total	1,131,821	911,882
Add: Accrued interest income	-	110
Less: Allowance for doubtful accounts	(114,821)	(114,882)
Total loans	<u>1,017,000</u>	<u>797,110</u>

These loans are provided to financial institutions, which are mostly unsecured loans.

As at 30 June 2019, the Company had discontinued recognising income from 4 debtors from loans to financial institutions of approximately Baht 112 million (31 December 2018: Baht 112 million). These comprise of transactions with problem financial institutions which were ordered to discontinue their operations by the Ministry of Finance on 8 December 1997.

## 11. Equipment

(Unit: Thousand Baht)

	Leasehold improvement	Office equipment	Furniture and fixtures	Motor vehicles	Total
<b>Cost</b>					
1 January 2018	25,127	17,295	4,378	3,190	49,990
Additions	-	73	-	3,240	3,313
Disposals	-	(44)	-	-	(44)
31 December 2018	25,127	17,324	4,378	6,430	53,259
Additions	-	205	-	-	205
30 June 2019	25,127	17,529	4,378	6,430	53,464
<b>Accumulated depreciation</b>					
1 January 2018	25,102	15,212	4,363	1,083	45,760
Depreciation for the year	5	805	6	1,062	1,878
Depreciation on disposals	-	(38)	-	-	(38)
31 December 2018	25,107	15,979	4,369	2,145	47,600
Depreciation for the period	3	371	1	638	1,013
30 June 2019	25,110	16,350	4,370	2,783	48,613
<b>Net book value</b>					
31 December 2018	20	1,345	9	4,285	5,659
30 June 2019	17	1,179	8	3,647	4,851
<b>Depreciation charge included in the statements of comprehensive income</b>					
<b>for the six-month periods ended 30 June</b>					
2018					826
2019					1,013

As at 30 June 2019, the Company had motor vehicles with net book value of Baht 3.6 million (31 December 2018: Baht 4.3 million) which were acquired under finance lease agreements.

As at 30 June 2019, certain fixed assets items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 44.4 million (31 December 2018: Baht 42.8 million).

## 12. Intangible assets

(Unit: Thousand Baht)

	31 December 2018	Additions	Amortised	30 June 2019
Computer software	3,612	-	(677)	2,935

(Unit: Thousand Baht)

	31 December 2017	Additions	Amortised	31 December 2018
Computer software	5,831	302	(2,521)	3,612

## 13. Other assets

(Unit: Thousand Baht)

	30 June 2019	31 December 2018
Deposits	3,120	3,140
Prepaid expenses	3,107	2,910
Others	926	946
Total other assets	7,153	6,996

## 14. Borrowings from financial institutions

(Unit: Thousand Baht)

	30 June 2019			31 December 2018				
	Interest rate (% per annum)	Due period		Interest rate (% per annum)	Due period			
		Not over 1 year	1 - 5 years Total		Not over 1 year	1 - 5 years Total		
Promissory notes	1.50 - 2.77	2,250,000	-	2,250,000	1.50 - 2.55	2,225,000	-	2,225,000
Bills of exchange	2.65	9,943	-	9,943	2.65	9,944	-	9,944
Total borrowings from financial institutions		2,259,943	-	2,259,943		2,234,944	-	2,234,944

The borrowings from financial institutions are unsecured loans.

The loan agreements contain covenants that, among other things, require the Company to maintain net capital ratios in the agreements.

## 15. Securities business payables

(Unit: Thousand Baht)

	30 June 2019	31 December 2018
Securities business payables	46,061	50,620
Collateral payables	71,886	-
Securities borrowing and lending payables	87,998	-
Total securities business payables	<u>205,945</u>	<u>50,620</u>

## 16. Debt issued and borrowings

(Unit: Thousand Baht)

	30 June 2019				31 December 2018			
	Interest rate (% per annum)	Due period			Interest rate (% per annum)	Due period		
		Not over 1 year	1 - 5 years	Total		Not over 1 year	1 - 5 years	Total
Promissory notes	2.60	364,070	-	364,070	1.85 - 2.60	310,989	-	310,989
Bills of exchange	2.40 - 2.50	124,516	-	124,516	2.25 - 2.40	204,284	-	204,284
Debentures	2.25 - 2.625	100,000	-	100,000	2.50 - 2.65	50,000	-	50,000
Total		<u>588,586</u>	<u>-</u>	<u>588,586</u>		<u>565,273</u>	<u>-</u>	<u>565,273</u>

Debt issued and borrowings are unsecured loans.

## 17. Other liabilities

(Unit: Thousand Baht)

	30 June 2019	31 December 2018
Interest payable	2,921	2,204
Accrued expenses	5,924	14,004
Withholding tax payable	228	302
Specific business tax payable	636	681
Other payables	533	927
Liabilities under finance lease agreements	2,686	3,085
Others	79	94
Total other liabilities	<u>13,007</u>	<u>21,297</u>

The Company has entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in its operation, whereby it is committed to pay rental on a monthly basis. The terms of the agreements are generally 5 years.

Future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Thousand Baht)		
	As at 30 June 2019		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	1,027	2,082	3,109
Deferred interest expenses	(195)	(228)	(423)
Present value of future minimum lease payments	832	1,854	2,686

	(Unit: Thousand Baht)		
	As at 31 December 2018		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	1,027	2,596	3,623
Deferred interest expenses	(219)	(319)	(538)
Present value of future minimum lease payments	808	2,277	3,085

## 18. Share capital

	30 June 2019		31 December 2018	
	Number		Number	
	of share	Amount	of share	Amount
	(Thousand	(Thousand	(Thousand	(Thousand
	shares)	Baht)	shares)	Baht)
Registered share capital				
(Par value at Baht 10 each)	154,913	1,549,126	154,913	1,549,126
Issued and paid-up share capital				
(Par value at Baht 10 each)	154,913	1,549,126	154,913	1,549,126

## 19. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

## 20. Dividends

Dividend	Approved by	Total dividend (Thousand Baht)	Dividend per share (Baht)
Dividend for the year 2017	Annual General Meeting of the shareholders on 20 April 2018	30,983	0.20
Total for 2018		<u>30,983</u>	<u>0.20</u>
Dividend for the year 2018	Annual General Meeting of the shareholders on 20 April 2019	38,728	0.25
Total for 2019		<u>38,728</u>	<u>0.25</u>

## 21. Fees and services income

(Unit: Thousand Baht)

For the six-month periods  
ended 30 June

	2019	2018
Securities borrowing and lending income	175	-
Front end fee income	-	187
Other income	30	-
Total	<u>205</u>	<u>187</u>

## 22. Gains and return on financial instruments

(Unit: Thousand Baht)

For the six-month periods  
ended 30 June

	2019	2018
Gains on securities	109	37
Loss on derivatives	(105)	-
Interest and dividend income	17,163	12,311
Total	<u>17,167</u>	<u>12,348</u>



### 23. Directors and management's benefits

During the periods, the Company had salaries, bonuses, meeting allowances, post-employee benefits, gratuities of their directors and management, which were as follows:

(Unit: Thousand Baht)

For the six-month periods  
ended 30 June

	2019	2018
Short-term employee benefits	13,986	13,558
Post-employment benefits	3,059	1,556
Total	<u>17,045</u>	<u>15,114</u>

### 24. Income tax

Income tax expenses for the six-month periods ended 30 June 2019 and 2018 are made up as follows:

(Unit: Thousand Baht)

For the six-month  
periods ended 30 June

	2019	2018
<b>Current income tax:</b>		
Interim corporate income tax charge	10,183	11,488
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(49)	793
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>10,134</u>	<u>12,281</u>

The amounts of income tax relating to each component of other comprehensive income for the six-month periods ended 30 June 2019 and 2018 are as follows:

(Unit: Thousand Baht)

For the six-month  
periods ended 30 June

	2019	2018
Deferred tax relating to loss (gain) on remeasuring available-for-sale investments	(33)	54
	<u>(33)</u>	<u>54</u>

The reconciliation between accounting profit and income tax expenses is shown below.

	(Unit: Thousand Baht)	
	For the six-month periods ended 30 June	
	2019	2018
Accounting profit before tax	50,779	61,526
Applicable tax rate	20%	20%
Accounting profit before tax multiplied by income tax rate	10,156	12,305
Effects of:		
Non-deductible expenses	55	74
Additional expense deductions allowed	(77)	(98)
Income tax expenses reported in statements of comprehensive income	10,134	12,281

The components of deferred tax assets are as follows:

	(Unit: Thousand Baht)	
	30 June 2019	31 December 2018
<b>Deferred tax assets</b>		
Accumulated amortisation - computer software	4,293	5,242
Provision for long-term employee benefits	3,935	2,937
Unrealised loss from revaluation of available-for-sale investments	3	36
Total deferred tax assets	8,231	8,215

## 25. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

## 26. Post-employment benefits

### 26.1 Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate which is not less than 2% of their basic salaries but not more than the amount contributed by the Company, and by the Company at the rates of 3% to 10% of basic salaries. It will be paid to employees upon termination in accordance with the rules of the fund. The fund is managed by BBL Asset Management Company Limited and Finansa Asset Management Limited. The contributions for the six-month period ended 30 June 2019 amounting to approximately 1.7 million (2018: Baht 1.7 million) were recognised as expenses.

### 26.2 Provision for long-term employee benefits

Provision for long-term employee benefits presented as provisions in the statements of financial position, which from compensation payable to employees after they retire, was as follows:

	(Unit: Thousand Baht)	
	30 June 2019	31 December 2018
<b>Provision for long-term employee benefits at beginning of period/year</b>	14,685	13,686
Included in profit or loss:		
Current service cost	1,353	1,555
Interest cost	226	306
Past service costs	3,671	-
Benefits paid during the period/year	(259)	(862)
<b>Provision for long-term employee benefits at end of period/year</b>	<u>19,676</u>	<u>14,685</u>

Long-term employee benefit expenses included in personnel expenses in the profit or loss.

On 5 April 2019, the Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law has been effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company has additional long-term employee benefit liabilities of Baht 3.7 million as a result. The Company reflected the effect of the change by recognising past service costs as expenses in the statement of comprehensive income of the period in which the law has been effective, which was the second quarter of 2019.

As at 30 June 2019, the Company expected to pay Baht 1.3 million of long-term employee benefits during the next year (31 December 2018: Nil).

As at 30 June 2019, the weighted average duration of the liabilities for long-term employee benefit is 11 years (31 December 2018: 11 years).

Significant actuarial assumptions are summarised below:

	(Unit: % per annum)	
	30 June 2019	31 December 2018
Discount rate	2.34	2.34
Salary increase rate	5.00	5.00
Turnover rate	0.00 - 11.00	0.00 - 11.00

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 30 June 2019 and 31 December 2018 are summarised below:

	30 June 2019			
	Increase (%)	Effect to provision for long-term employee benefits (Thousand Baht)	Decrease (%)	Effect to provision for long-term employee benefits (Thousand Baht)
Discount rate	1%	(1,640)	1%	1,854
Salary increase rate	1%	2,217	1%	(1,980)
Turnover rate	1%	(1,746)	1%	1,117

31 December 2018

	Effect to provision for long-term employee benefits		Effect to provision for long-term employee benefits	
	Increase (%)	(Thousand Baht)	Decrease (%)	(Thousand Baht)
Discount rate	1%	(1,231)	1%	1,393
Salary increase rate	1%	1,580	1%	(1,414)
Turnover rate	1%	(1,311)	1%	846

## 27. Operating lease commitments

The Company had entered into several operating lease agreements in respect of the lease of area in the building, equipment, motor vehicles and service agreements. The terms of the agreements are generally between 1 year and 4 years.

Future minimum lease payments required under operating lease agreements were as follows:

	(Unit: Million Baht)	
	30 June 2019	31 December 2018
Payable:		
In up to 1 year	12.5	1.4
In over 1 and up to 4 years	16.0	2.6

## 28. Fair value hierarchy

As of 30 June 2019 and 31 December 2018, the Company had the following assets that were measured at fair value using different levels of inputs as follows:

	(Unit: Thousand Baht)			
	As at 30 June 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments				
Debt securities*	-	284,436	-	284,436
Unit trusts	-	16	-	16
<b>Asset for which fair value are disclosed</b>				
Other investments				
Equity securities	-	-	257	257

\* Included government securities for customers' account amounting to Baht 137 million.

(Unit: Thousand Baht)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Available-for-sale investments				
Debt securities*	-	393,971	-	393,971
Unit trusts	-	16	-	16
<b>Asset for which fair value are disclosed</b>				
Other investments				
Equity securities	-	-	257	257

\* Included government securities for customers' account amounting to Baht 224 million.

## 29. Financial instruments

### 29.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, receivables from Clearing House, securities business receivables, investments, loans, borrowings from financial institutions, payables to Clearing House, securities business payables, debt issued and borrowings. The financial risks associated with these financial instruments and how they are managed in described below.

#### ***Credit risk***

The Company is exposed to credit risk primarily with respect to receivables from Clearing House, securities business receivables, investments in debt securities and loans. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer.

The investment in debt instruments is determined on the basis of the firm financial status of issuing institutions and their instruments being rated at acceptable rating by the reputable credit rating agencies.

The maximum exposure to credit risk is limited to the carrying amounts of receivables from Clearing House, securities business receivables, investments in debt securities and loans less allowance for losses as stated in the statements of financial position.

## Interest rate risk

The Company's exposure to interest rate risk relates primarily to its cash at banks, securities business receivables, investments in debt securities, loans, borrowings from financial institutions and debt issued and borrowings. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 30 June 2019 and 31 December 2018 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	30 June 2019							Interest rate (% per annum)
	Outstanding balances of financial instruments							
	Floating interest rate	Repricing or maturity dates				No interest	Total	
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	1	1	-
Receivables from Clearing House	-	-	-	-	-	8	8	-
Securities business receivables	3,544	-	-	1	-	150	3,695	5.25 - 20.00
Investments in debt securities	-	-	102	45	-	-	147	1.67 - 1.78
Loans	-	627	390	-	-	-	1,017	2.80 - 4.25
<b>Financial liabilities</b>								
Borrowings from financial institutions	-	740	1,520	-	-	-	2,260	1.50 - 2.77
Payable to Clearing House	-	-	-	-	-	45	45	-
Securities business payables	-	-	-	-	-	206	206	-
Debt issued and borrowings	-	-	589	-	-	-	589	2.25 - 2.625

(Unit: Million Baht)

	31 December 2018							Interest rate (% per annum)
	Outstanding balances of financial instruments							
	Floating interest rate	Repricing or maturity dates				No interest	Total	
	At call	Within 1 year	1 - 5 years	Over 5 years				
<b>Financial assets</b>								
Cash and cash equivalents	-	-	-	-	-	2	2	-
Receivables from Clearing House	-	-	-	-	-	23	23	-
Securities business receivables	3,665	-	-	-	-	-	3,665	5.50 - 20.00
Investments in debt securities	-	-	75	95	-	-	170	1.53 - 1.87
Loans	-	47	750	-	-	-	797	3.00 - 4.25
<b>Financial liabilities</b>								
Borrowings from financial institutions	-	615	1,620	-	-	-	2,235	1.50 - 2.65
Payable to Clearing House	-	-	-	-	-	38	38	-
Securities business payables	-	-	-	-	-	51	51	-
Debt issued and borrowings	-	-	565	-	-	-	565	1.85 - 2.65

## Liquidity risk

The periods of time from the statements of financial position date to the maturity dates of financial instruments as of 30 June 2019 and 31 December 2018 are as follows:

(Unit: Million Baht)

	30 June 2019					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
<b>Financial assets</b>						
Cash and cash equivalents	1	-	-	-	-	1
Receivables from Clearing House	-	8	-	-	-	8
Securities business receivables	-	84	151	-	3,460	3,695
Investments in debt securities	-	102	45	-	-	147
Loans	627	390	-	-	-	1,017
<b>Financial liabilities</b>						
Borrowings from financial institutions	740	1,520	-	-	-	2,260
Payable to Clearing House	-	45	-	-	-	45
Securities business payables	-	206	-	-	-	206
Debt issued and borrowings	-	589	-	-	-	589

(Unit: Million Baht)

	31 December 2018					Total
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	No maturity	
<b>Financial assets</b>						
Cash and cash equivalents	2	-	-	-	-	2
Receivables from Clearing House	-	23	-	-	-	23
Securities business receivables	-	66	1	-	3,598	3,665
Investments in debt securities	-	75	95	-	-	170
Loans	47	750	-	-	-	797
<b>Financial liabilities</b>						
Borrowings from financial institutions	615	1,620	-	-	-	2,235
Payable to Clearing House	-	38	-	-	-	38
Securities business payables	-	51	-	-	-	51
Debt issued and borrowings	-	565	-	-	-	565



## **29.2 Fair values and financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or carrying interest at rates close to the market interest rates, their fair value is not expected to be materially different from the amounts presented in the statements of financial position.

During the current period, there were no transfers within the fair value level.

## **30. Capital management**

The primary objectives of the Company's capital management is to ensure that it has an appropriate financial structure, to preserve the ability to continue its business as a going concern and to maintain net capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

## **31. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 2 September 2019.