



FINANCIAL STATEMENTS

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

Independent Auditor's Report

To the Shareholders of Advance Finance Public Company Limited

Opinion

I have audited the financial statements of Advance Finance Public Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for Opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). 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 issued by the Federation of Accounting Professions that is relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

Advance Finance Public Company Limited

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When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the correction be made.

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 TFRSs, 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 TSAs 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 TSAs, I exercise professional judgment 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.



(Thitima Pongchaiyong)
Certified Public Accountant
Registration No. 10728

KPMG Phoomchai Audit Ltd.
Bangkok
21 February 2020

Advance Finance Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2019	2018
		(in Baht)	
Cash		30,000	4,132
Intercompany and money market items	7	2,983,612,012	823,093,052
Investments, net	8	42,650,000	938,314,912
Loans to customers and accrued interest receivables, net	9		
Loans to customers	25	4,917,756,903	5,399,133,554
Accrued interest receivables	25	<u>2,013,632</u>	<u>6,879,235</u>
Total loans to customers and accrued interest receivables		4,919,770,535	5,406,012,789
Less allowance for doubtful accounts	12	<u>(132,706,141)</u>	<u>(166,899,016)</u>
Total loans to customers and accrued interest receivables, net		4,787,064,394	5,239,113,773
Properties for sale, net	13	169,135,280	86,893,456
Leasehold improvement and equipment, net	14	14,501,601	13,286,705
Intangible assets, net	15	29,912,505	30,128,576
Deferred tax assets	33	9,841,798	12,002,152
Receivable from Legal Execution Department		19,932,050	8,567,450
Other assets, net	16	<u>6,673,617</u>	<u>7,944,948</u>
Total assets		<u>8,063,353,257</u>	<u>7,159,349,156</u>

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



Advance Finance Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2019	2018
		(in Baht)	
Liabilities			
Deposits	17, 25	5,735,861,808	5,376,008,148
Intercompany and money market items	18	730,137,449	185,237,336
Accrued interest payable	25	13,705,989	20,617,284
Contributions to the Financial Institutions Development			
Fund and the Deposit Protection Agency payable		9,984,346	12,831,254
Income tax payable		-	6,265,529
Provisions for employee benefits	19	21,636,477	25,297,293
Other liabilities	20	10,243,734	13,082,179
Total liabilities		6,521,569,803	5,639,339,023
Equity			
Share capital	21		
Authorised share capital			
1,250,000,000 ordinary shares, par value at Baht 1 per share		1,250,000,000	1,250,000,000
Issued and paid-up share capital			
1,250,000,000 ordinary shares, par value at Baht 1 per share		1,250,000,000	1,250,000,000
Other components of equity	8.3	504,977	(5,207,787)
Retained earnings			
Appropriated			
Legal reserve	22	28,093,568	25,856,568
Unappropriated		263,184,909	249,361,352
Total equity		1,541,783,454	1,520,010,133
Total liabilities and equity		8,063,353,257	7,159,349,156

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

Advance Finance Public Company Limited

Statements of profit or loss and other comprehensive income

		Year ended 31 December	
	Note	2019	2018
		(in Baht)	
Interest income	25, 28	335,957,035	387,999,992
Interest expense	25, 29	131,621,166	201,762,805
Net interest income		204,335,869	186,237,187
Fees and service income	30	19,177,243	21,836,139
Net fees and service income		19,177,243	21,836,139
Net gain on investments	31	3,858,340	837,120
Dividend income		7,361,219	3,993,535
Gain on disposal of properties for sale		-	319,344
Other operating income		777,142	20,815
Total operating income		235,509,813	213,244,140
Other operating expenses			
Employee expenses	25	105,209,013	94,721,636
Directors' remuneration	25	3,952,156	5,000,000
Premises and equipment expenses		21,199,806	20,396,200
Taxes and duties		12,859,720	12,710,229
Loss on disposal of properties for sale		4,624,943	-
Others		22,381,414	36,744,828
Total other operating expenses		170,227,052	169,572,893
Bad debt, doubtful accounts and loss on impairment (reversal)	32	10,067,086	(1,144,394)
Profit from operating before income tax expense		55,215,675	44,815,641
Income tax expense	33	10,492,581	8,737,941
Profit for the year		44,723,094	36,077,700

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



Advance Finance Public Company Limited

Statements of profit or loss and other comprehensive income

	Note	Year ended 31 December	
		2019	2018
		<i>(in Baht)</i>	
Other comprehensive income (loss)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasurement available-for-sale investments	8.4	7,140,955	(7,679,574)
Income tax relating to components of other comprehensive income	33		
(loss) will be reclassified subsequently to profit or loss		(1,428,191)	1,535,915
		<u>5,712,764</u>	<u>(6,143,659)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial losses on defined benefit plans	19	(4,578,171)	(4,209,425)
Income tax relating to components of other comprehensive income	33		
(loss) will not be reclassified subsequently to profit or loss		915,634	841,885
		<u>(3,662,537)</u>	<u>(3,367,540)</u>
Total other comprehensive income (loss), net of income tax		<u>2,050,227</u>	<u>(9,511,199)</u>
Total comprehensive income for the year		<u><u>46,773,321</u></u>	<u><u>26,566,501</u></u>
Basic earnings per share	34	<u><u>0.04</u></u>	<u><u>0.03</u></u>

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

Advance Finance Public Company Limited

Statement of changes in equity

		Other components of equity	Retained earnings			
		Issued and paid-up share capital	Available-for-sale investments	Legal reserve (in Baht)	Unappropriated	Total equity
	Note					
Year ended 31 December 2018						
Balance at 1 January 2018		1,000,000,000	935,872	24,052,568	258,455,192	1,283,443,632
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	21	250,000,000	-	-	-	250,000,000
Dividends to the shareholders of the Company	23	-	-	-	(40,000,000)	(40,000,000)
Total contributions by and distributions to owners		250,000,000	-	-	(40,000,000)	210,000,000
Comprehensive income (loss) for the year						
Profit for the year		-	-	-	36,077,700	36,077,700
Other comprehensive loss		-	(6,143,659)	-	(3,367,540)	(9,511,199)
Total comprehensive income (loss) for the year		-	(6,143,659)	-	32,710,160	26,566,501
Transfer to legal reserve		-	-	1,804,000	(1,804,000)	-
Balance at 31 December 2018		1,250,000,000	(5,207,787)	25,856,568	249,361,352	1,520,010,133

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

Advance Finance Public Company Limited

Statement of changes in equity

		Other components of equity	Retained earnings			
		Issued and paid-up share capital	Available-for-sale investments	Legal reserve (in Baht)	Unappropriated	Total equity
Year ended 31 December 2019						
Balance at 1 January 2019		1,250,000,000	(5,207,787)	25,856,568	249,361,352	1,520,010,133
Transactions with owners, recorded directly in equity						
<i>Distributions to owners</i>						
Dividends to the shareholders of the Company	23	-	-	-	(25,000,000)	(25,000,000)
Total distributions to owners		-	-	-	(25,000,000)	(25,000,000)
Comprehensive income (loss) for the year						
Profit for the year		-	-	-	44,723,094	44,723,094
Other comprehensive income (loss)		-	5,712,764	-	(3,662,537)	2,050,227
Total comprehensive income for the year		-	5,712,764	-	41,060,557	46,773,321
Transfer to legal reserve		-	-	2,237,000	(2,237,000)	-
Balance at 31 December 2019		1,250,000,000	504,977	28,093,568	263,184,909	1,541,783,454

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

Advance Finance Public Company Limited

Statement of cash flows

	Year ended 31 December	
	2019	2018
	(in Baht)	
<i>Cash flows from operating activities</i>		
Profit from operating before income tax expense	55,215,675	44,815,641
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>		
Depreciation and amortisation	8,725,117	8,015,136
Bad debt and doubtful accounts	28,078,713	-
Loss (gain) on disposal of properties for sale	4,624,943	(319,344)
(Gain) loss on disposal of equipment	(741,254)	65,674
Employee benefit expense	9,330,754	4,663,505
Net interest income	(204,335,869)	(186,237,187)
Net gain on investments	(3,858,340)	(837,120)
Dividend income	(7,361,219)	(3,993,535)
Proceeds from interest	340,591,507	393,506,963
Interest paid	(141,379,369)	(216,662,575)
Proceeds from dividend	7,361,219	4,129,615
Income tax paid	(15,835,521)	(3,405,113)
Profit from operating before changes in operating assets and liabilities	80,416,356	43,741,660
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	(2,160,410,283)	314,339,590
Loans to customers	419,105,063	264,171,447
Properties for sale	(86,866,767)	(11,322,865)
Receivable from Legal Execution Department	(11,364,600)	(5,098,700)
Other assets	1,996,540	(452,726)
<i>Increase (decrease) in operating liabilities</i>		
Deposits	359,853,660	(1,901,689,899)
Intercompany and money market items	544,900,113	(89,380,198)
Provisions for employee benefits	(17,569,742)	-
Other liabilities	(2,838,445)	(1,636,745)
Net cash used in operating activities	(872,778,105)	(1,387,328,436)

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



Advance Finance Public Company Limited**Statement of cash flows**

		Year ended 31 December	
	<i>Note</i>	2019	2018
		<i>(in Baht)</i>	
<i>Cash flows from investing activities</i>			
Acquisition of available-for-sale investments		(1,281,518,779)	(120,000,000)
Proceeds from sale of available-for-sale investments		1,532,245,907	25,390,020
Acquisition of held-to-maturity securities		(9,747,000,000)	(28,154,000,000)
Proceeds from redemption of held-to-maturity securities		10,400,059,533	29,434,000,000
Proceeds from reduction of shares in general investments		3,000,000	-
Acquisition of equipment		(7,759,315)	(1,960,517)
Proceeds from sale of equipment		742,991	6,500
Acquisition of intangible assets		(1,966,364)	(6,133,435)
Net cash from investing activities		897,803,973	1,177,302,568
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares	21	-	250,000,000
Dividends paid to shareholders of the Company	23	(25,000,000)	(40,000,000)
Net cash (used in) from financing activities		(25,000,000)	210,000,000
Net cash		25,868	(25,868)
Cash at 1 January		4,132	30,000
Cash at 31 December		30,000	4,132

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

Advance Finance Public Company Limited

Notes to the financial statements
For the year ended 31 December 2019

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Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 21 February 2020.

1 General information

Advance Finance Public Company Limited, the “Company”, is incorporated in Thailand. The Company engages in finance business in accordance with the Financial Institutions Business Act B.E. 2551 and has its registered office at 87/2, 40th Floor, CRC Tower, All Seasons Place, Wireless Road, Lumpini, Pathumwan, Bangkok.

The Company registered as a public company limited in accordance with the Public Company Limited Act B.E. 2535 on 26 May 2004 and had been approved by the Ministry of Finance on 20 December 1974.

The Company’s major shareholders as at 31 December 2019 were The Brooker Group Public Company Limited (10% shareholding), which was incorporated in Thailand, Miss Kantima Pornsriniyom (10% shareholding), Mr. Amorn Saphaweeikul (10% shareholding) and Mr. Somphote Ahunai (10% shareholding).

The Company’s major shareholders as at 31 December 2018 were Seamico Securities Public Company Limited (10% shareholding), The Brooker Group Public Company Limited (10% shareholding) and Asia Capital Group Public Company Limited (10% shareholding), which were incorporated in Thailand, IFS Capital Limited (10% shareholding), which was incorporated in the Republic of Singapore and Miss Kantima Pornsriniyom (10% shareholding).

2 Basis of preparation of the financial statements

(a) Statement of compliance

The financial statements are prepared in accordance with Thai Financial Reporting Standard (TFRS); guidelines promulgated by the Federation of Accounting Professions; and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 22/2558, directive 4 December 2015, regarding “The preparation and announcement of the financial statements of a finance company and credit fancier company”.

Advance Finance Public Company Limited

Notes to the financial statements For the year ended 31 December 2019

New and revised TFRS are effective for annual accounting periods beginning on or after 1 January 2019. The initial application of these new and revised TFRS has resulted in changes in certain of the Company's accounting policies. There is no material impact on the Company's financial statements. The Company has initial applied TFRS 15 *Revenue from Contracts with Customers* which replaces TAS 18 *Revenue* and related interpretations. The details of accounting policies are disclosed in note 3 (n).

In addition, the Company has not early adopted a number of new TFRS which are not yet effective for the current period in preparing these financial statements. Those new TFRS that are relevant to the Company's operations are disclosed in note 36.

(b) Functional and presentation currency

The financial statements are prepared in Thai Baht, which is the Company's functional currency.

(c) Use of judgments and estimates

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Assumptions and estimations uncertainties are as follows:

Allowance for impairment of equity investments

The Company treats available-for-sale investments and general investments as impaired when the management judges that there have been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires management judgment.

Allowance for doubtful accounts of loans to customers

Allowance for doubtful accounts of loans to customers are intended to adjust the value of loans to customers for probable credit losses. The management uses judgment to establish reserves for estimated losses on outstanding loans when there is any doubt about the borrower's capacity to repay the principal and the interest by determined through a combination of specific reviews, probability of default, statistical modelling and estimates, taking into account change in the value of collateral and current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowance for doubtful accounts and adjustments to the allowance therefore may be required in the future.



Advance Finance Public Company Limited**Notes to the financial statements****For the year ended 31 December 2019**

Measurement of defined benefit obligations

The calculation of the defined benefit obligations is sensitive to the assumptions on discount rate and future salary growth as set out in note 19.

Assessment of risk and rewards

When considering the recognition or derecognition of assets and liabilities, the management is required to use judgment in assessing risk and rewards. Although management uses its best knowledge of current events and actions in making assessments of risk and rewards, actual risk and rewards may differ from these estimates.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Foreign currencies*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

(b) Cash

Cash comprises cash in hand.

(c) Investments*Investments in other debt and equity securities*

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are stated at amortised cost, less any impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Advance Finance Public Company Limited

Notes to the financial statements For the year ended 31 December 2019

Debt securities and marketable equity securities, other than those securities held for trading or intended to be held to maturity, are classified as available-for-sale investments. Available-for-sale investments are, subsequent to initial recognition, stated at fair value, and changes therein, other than impairment losses on monetary items, are recognised directly in equity. Impairment losses are recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Equity securities which are not marketable are stated at cost less any impairment losses.

The fair value of financial instruments for available-for-sale is determined as the quoted bid price at the reporting date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognised in profit or loss.

If the Company disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(d) Loans to customers

Loans to customers are stated exclusive of accrued interest receivables.

(e) Allowance for doubtful accounts

The Company provides allowance for doubtful accounts in accordance with the BoT's notifications based on an evaluation of the current status of each customer, taking into consideration the recovery risk and the value of collateral.

Minimum requirement of allowance for doubtful accounts is determined based on the BoT's notification dated 10 June 2016, "Classification and allowance criteria of the financial institution". The Company classified their loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowance for doubtful accounts is based on the BoT's minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowance on these



Advance Finance Public Company Limited**Notes to the financial statements****For the year ended 31 December 2019**

accounts will be set at 100 percent for the difference between the outstanding book value of the debt and the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral in accordance with the BoT's regulations. The discount interest rate and the period of collateral disposal are set with reference to BoT's notifications.

In addition, the Company set up allowance for doubtful accounts in regard to Possible Impaired Loan. The allowance is based on a rate of 1.2% of performing loans, except in case where analysis of historic payment patterns indicates a different rate for particular categories of customer.

Any additional allowance for doubtful accounts is charged to bad debt and doubtful accounts in profit or loss.

The Company writes-off bad debts against the allowance for doubtful accounts for the uncollectible amounts.

Bad debt recovery is recognised as income and presented net of bad debt and doubtful accounts in profit or loss.

(f) Troubled debt restructuring

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No.104 (revised 2016) *Accounting for Troubled Debt Restructuring*. If an repayment of debt is received through the transfer of property, financial instruments, or equity in the debtor is received as a result of a debt to equity swap, the Company records the assets received at their fair value net of estimated disposal expenses not exceeding the carrying value of debt and unearned interest to which the Company is legally entitled. Losses arising from differences between the carrying value of debt and the fair value of the assets are recorded in profit or loss, taking into account existing allowance for doubtful accounts.

Where restructuring a loan involves modification of its terms, the Company will record the loss arising from the calculation of the present value of the future cash flows expected to be received from those customers by using the Minimum Loan Rate (MLR) at the time of restructuring in discounting. The difference between the present value of the future cash flows expected to be received and the outstanding balances of loans is recorded as a loss from restructuring in profit or loss.

Losses from troubled debt restructuring arising from reductions of principal and accrued interest of overdue debt amount and the various methods of debt restructuring as modification of its terms, transfer of assets etc. are recognised as expense in profit or loss.

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Notes to the financial statements

For the year ended 31 December 2019

(g) Properties for sale

Properties for sale are stated at the lower of fair value at the acquisition date or the amount of the legal claim on the related debt, including interest receivables. The fair value is estimated by using the latest appraisal value after deduction of estimated disposal expenses. The assets bought from Legal Execution Department's public auction are recognised at purchase price plus transfer costs, less expected direct selling expenses.

Loss on impairment is charged to profit or loss. Gain or loss on disposal of properties for sale are recognised as other operating income or expense upon disposal.

(h) Leasehold improvement and equipment

Recognition and measurement

Owned assets

Leasehold improvement and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of leasehold improvement and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold improvement and equipment.

Any gains and losses on disposal of items of leasehold improvement and equipment are determined by comparing the proceeds from disposal with the carrying amount of leasehold improvement and equipment, and are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of leasehold improvement and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of leasehold improvement and equipment are recognised in profit or loss as incurred.



Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

Depreciation

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each component of an item of leasehold improvement and equipment. The estimated useful lives are as follows:

Leasehold improvement	5	years
Computer and equipment	5	years
Furniture and fixtures	5	years
Vehicles	5	years

No depreciation is provided on assets under installation.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for software licenses in the current and comparative years are 5 years.

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Notes to the financial statements
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No amortisation is provided on assets under installation.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(j) **Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in profit or loss unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate.

The recoverable amount of available-for-sale financial assets is calculated by reference to the fair value.

The recoverable amount of a non-financial asset is the greater of the asset's value in use and fair value less costs to sell. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised in profit or loss. For financial



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assets carried at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

Impairment losses recognised in prior years in respect of other non-financial assets are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits*Defined contribution plans*

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount.

The calculation of defined benefit obligations is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in OCI. The Company determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are based on unobservable input.



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If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(n) Revenue*Interest income and discount income on loans to customers*

Interest income on loans is recognised over term of the loans based on the amount of principal outstanding. Interest and discount income on loans are generally recognised on an accrual basis. In accordance with the BoT's regulations, interest in arrears for more than 3 months, regardless of whether the loans are covered by collateral, are not accrued but is instead recognised as income on a cash basis.

The Company has reversed accrued interest income on loans which have been recognised as income, for interest in arrears more than 3 months, in accordance with the BoT's regulations.

Interest income and dividend income on investments

Interest income on investment is recognised on an accrual basis. Dividend income is recognised in profit or loss on the date the Company's right to receive payments is established.

*Fees and service income**Accounting policy for fees and service income in 2019*

Fees and service income are recognised as revenue when a customer obtains control of the services in an amount that reflects the consideration to which the Company expects to be entitled to. In addition, judgment is required in determining the timing of the transfer of control for revenue recognition - at a point in time or over time.

Accounting policy for fees and service income in 2018

Fees and service income are recognised when the related services are performed.

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For the year ended 31 December 2019

(o) Expenses

Finance costs

Interest expense is charged to profit or loss for the year in which they are incurred.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

(p) Income tax

Income tax expense for the year comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a



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business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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(r) *Related parties*

A related party is a person or entity that has direct or indirect control or joint control, or has significant influence over the financial and managerial decision-making of the Company; a person or entity that are under common control or under the same significant influence as the Company; or the Company has direct or indirect control or joint control or has significant influence over the financial and managerial decision-making of a person or entity.

(s) *Segment reporting*

Segment results that are reported to the Board of Directors (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4 Financial risk management

Financial risk management policies

The Company is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Company does not hold or issue derivatives for speculative or trading purposes.

Risk Management is an important basis for financial institution business. The purpose of risk management is to enable the Company to manage and maintain risk management at the target and acceptable level in accordance with the rules of the BoT and corporate governance.

Risk Oversight Committee is in-charge of managing overall risks of the Company by planning, reviewing and monitoring risk management strategies to maintain a balance between risks and return. Principally, the Company's risk management strategies consist of (a) risk identification, (b) risk measurement, (c) risk monitoring (d) risk control in order to manage risks at a proper level in accordance with good governance. Other consolidating committees, e.g. Asset and Liability Management Committee (ALCO), Credit Committee, Debt Restructuring Committee and Operational Risk Working Group were also formed to be responsible for each specific risk to ensure the Company's risk management efficiency.

Credit risk

Credit risk refers to the risk that a counterparty or a borrower may default on its contractual obligations and agreements or identified commitment. Such default may be caused by the counterparty's inability to pay due to financial encumbrances or their intention not to abide by the contractual agreements, resulting in a loss to the Company.



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The Company has disclosed significant concentrations of credit risk in note 9.

For the “loans” item shown in the statement of financial position, the Company’s maximum credit loss is the carrying amount of net loans after deduction of applicable allowance for losses without considering the value of collateral. In addition, credit risk may arise from off-financial reporting items relating to other guarantees.

The Company has implemented credit risk management processes to measure and control credit risk. In addition, the Company has set up the Credit Risk Group Department to review credit business and risk assessment and credit portfolio’s performances report to determine the strategies of credit risk management. For retail customers, the Company used credit scoring as a tool to determine an appropriate return given the risk level of each loan.

In the credit approval process, the Company considers the customer’s ability to repay and the loan objectives as key factors in the approval of credit and may obtain sufficient collateral or other securities, where appropriate, as a means of mitigating the risk of financial losses from default. The Company also has processes for regularly reviewing customers’ credit and performance on all new approved transactions. For non-performing loans (NPL), the Company has closely and continuously monitored, resolved and/or restructured them to retain maximum benefits for the Company.

Market risk

Market risk is any risk due to changes in interest rates, foreign exchange rates or securities prices that will have an effect on the Company’s funding costs, investment position or foreign currency position, resulting in possible loss to the Company. Market risk for the Company can be categorised as interest rate risk, foreign exchange risk and equity risk.

1. Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the result of the Company’s operation and cash flows.

The Company has managed interest rate risk which results from a change in interest rate of assets and liabilities that may affect the Company’s net interest income by using an Interest Rate Gap Model to ensure that any possible effects are at the acceptable level in accordance with the interest rate risk management policy of the Company.

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As at 31 December 2019 and 2018, significant financial assets and liabilities classified by type of interest rate were as follows:

	2019			
	Floating interest rate	Fixed interest rate	Non - interest bearing	Total
	(in Baht)			
Financial assets				
Intercompany and money market items	50,340,607	2,872,000,000	61,271,405	2,983,612,012
Investments, net	-	-	42,650,000	42,650,000
Loans to customers*	3,470,882,084	1,018,296	-	3,471,900,380
Total	3,521,222,691	2,873,018,296	103,921,405	6,498,162,392
Financial liabilities				
Deposits	-	5,735,861,808	-	5,735,861,808
Intercompany and money market items	-	730,137,449	-	730,137,449
Total	-	6,465,999,257	-	6,465,999,257

* Excluding non-accrual loans

	2018			
	Floating interest rate	Fixed interest rate	Non - interest bearing	Total
	(in Baht)			
Financial assets				
Intercompany and money market items	87,824,770	600,000,000	135,268,282	823,093,052
Investments, net	-	799,877,546	138,437,366	938,314,912
Loans to customers*	4,047,967,103	303,696	-	4,048,270,799
Total	4,135,791,873	1,400,181,242	273,705,648	5,809,678,763
Financial liabilities				
Deposits	-	5,376,008,148	-	5,376,008,148
Intercompany and money market items	-	185,237,336	-	185,237,336
Total	-	5,561,245,484	-	5,561,245,484

* Excluding non-accrual loans



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Notes to the financial statements

For the year ended 31 December 2019

As at 31 December 2019 and 2018, financial assets and liabilities classified by the earlier of maturity or interest repricing were as follows:

		2019					
	Average rate (%)	0 - 3 months	3 - 12 months	1 - 5 years	Non-interest bearing	Non-accrual	Total
		(in Baht)					
Financial assets							
Intercompany and money market items	0.84	2,922,340,607	-	-	61,271,405	-	2,983,612,012
Investments, net	1.26	-	-	-	42,650,000	-	42,650,000
Loans to customers	6.53	3,471,080,063	615,821	204,496	-	1,445,856,523	4,917,756,903
Accrued interest receivables	-	-	-	-	2,013,632	-	2,013,632
Total		6,393,420,670	615,821	204,496	105,935,037	1,445,856,523	7,946,032,547
Financial liabilities							
Deposits	2.65	2,939,599,178	2,312,150,931	484,111,699	-	-	5,735,861,808
Intercompany and money market items	2.54	422,700,000	79,300,000	228,137,449	-	-	730,137,449
Total		3,362,299,178	2,391,450,931	712,249,148	-	-	6,465,999,257
		2018					
	Average rate (%)	0 - 3 months	3 - 12 months	1 - 5 years	Non-interest bearing	Non-accrual	Total
		(in Baht)					
Financial assets							
Intercompany and money market items	0.90	687,824,770	-	-	135,268,282	-	823,093,052
Investments, net	1.02	799,877,546	-	-	138,437,366	-	938,314,912
Loans to customers	6.77	4,047,999,614	99,353	171,832	-	1,350,862,755	5,399,133,554
Accrued interest receivables	-	-	-	-	6,879,235	-	6,879,235
Total		5,535,701,930	99,353	171,832	280,584,883	1,350,862,755	7,167,420,753
Financial liabilities							
Deposits	3.25	1,826,808,620	3,083,694,715	465,504,813	-	-	5,376,008,148
Intercompany and money market items	3.64	45,300,000	81,700,000	58,237,336	-	-	185,237,336
Total		1,872,108,620	3,165,394,715	523,742,149	-	-	5,561,245,484

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2. Foreign exchange risk

Foreign exchange risk is the risk that occurs from changes in exchange rate which may affect the value of the Company's financial instruments or may cause volatility in the earnings or fluctuations in the value of the financial assets and liabilities.

As at 31 December 2019 and 2018, the Company had no material financial instruments in foreign currencies.

3. Equity risk

Equity risk is any risk that arises from changes in the price of equities or common stock that may cause volatility in the earnings or fluctuations in the value of the financial assets.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its obligations as they fall due, because of inability to realise its assets or to cover funding requirements at an appropriate price which results in a loss to the Company.

The Company closely monitors and manages its liquidity to meet the market condition by monitoring its investment diversification and customers' deposit behavior to conform to the lending maturity profile by using Liquidity Gap Analysis and Liquidity Stress Test, and also setting limits for Liquidity Risk Tolerance. The Company mainly invests its excess liquidity in highly liquid assets in order to prepare for customers' deposit withdrawal in both normal and crisis situations.



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As at 31 December 2019 and 2018, financial assets and liabilities were classified according to their contractual maturity as follows:

	2019 (in Baht)							
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No maturity	Non-accrual	Total
Financial assets								
Intercompany and money market items	111,612,012	2,872,000,000	-	-	-	-	-	2,983,612,012
Investments, net	-	-	-	-	-	42,650,000	-	42,650,000
Loans to customers	-	137,425,824	929,045,586	1,997,995,915	407,433,055	-	1,445,856,523	4,917,756,903
Accrued interest receivables	-	2,013,632	-	-	-	-	-	2,013,632
Total	111,612,012	3,011,439,456	929,045,586	1,997,995,915	407,433,055	42,650,000	1,445,856,523	7,946,032,547
Financial liabilities								
Deposits	-	2,939,599,178	2,312,150,931	484,111,699	-	-	-	5,735,861,808
Intercompany and money market items	-	422,700,000	79,300,000	228,137,449	-	-	-	730,137,449
Total	-	3,362,299,178	2,391,450,931	712,249,148	-	-	-	6,465,999,257
	2018 (in Baht)							
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	No maturity	Non-accrual	Total
Financial assets								
Intercompany and money market items	223,093,052	600,000,000	-	-	-	-	-	823,093,052
Investments, net	-	799,877,546	-	-	-	138,437,366	-	938,314,912
Loans to customers	-	299,069,518	1,165,684,698	2,046,424,850	537,091,733	-	1,350,862,755	5,399,133,554
Accrued interest receivables	-	6,879,235	-	-	-	-	-	6,879,235
Total	223,093,052	1,705,826,299	1,165,684,698	2,046,424,850	537,091,733	138,437,366	1,350,862,755	7,167,420,753
Financial liabilities								
Deposits	-	1,826,808,620	3,083,694,715	465,504,813	-	-	-	5,376,008,148
Intercompany and money market items	-	45,300,000	81,700,000	58,237,336	-	-	-	185,237,336
Total	-	1,872,108,620	3,165,394,715	523,742,149	-	-	-	5,561,245,484

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5 Fair value of financial assets and financial liabilities

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount	Level 1 (in Baht)	Fair value Level 2	Total
2019				
<i>Financial assets measured at fair value</i>				
Equity securities available-for-sale	40,150,000	40,150,000	-	40,150,000
<i>Financial liabilities not measured at fair value</i>				
Deposits	5,735,861,808	-	5,743,406,674	5,743,406,674
Intercompany and money market items	730,137,449	-	730,446,383	730,446,383
	Carrying amount	Level 1 (in Baht)	Fair value Level 2	Total
2018				
<i>Financial assets measured at fair value</i>				
Equity securities available-for-sale	132,937,366	54,100,000	78,837,366	132,937,366
<i>Financial liabilities not measured at fair value</i>				
Deposits	5,376,008,148	-	5,393,457,414	5,393,457,414
Intercompany and money market items	185,237,336	-	186,371,976	186,371,976

The following methods and assumptions are used in estimating fair values of financial instruments as disclosed herein:



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Available-for-sale securities

The following methodologies are used to determine the fair value of securities held by the Company.

- The fair value of short-term debt securities is stated at cost less any impairment losses.
- The bidding prices at The Stock Exchange of Thailand on the last business day of the year are used to estimate the fair value of listed private equity securities.
- The fair value of unit trusts is estimated based on the redemption price at the reporting date.

Deposits and intercompany and money market items (liabilities)

- Fair values of deposits and intercompany and money market items with term and fixed interest rates are estimated using discounted cash flow analyses based on current interest rates for similar type of deposit arrangements.

6 Maintenance of capital fund

The Company maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 by maintaining its capital fund as a proportion of risk weighted assets in accordance with the criteria, methodologies, and conditions prescribed by the Bank of Thailand. As announced by the BoT's notification dated 10 January 2017, the Company is required to calculate its Capital Fund in accordance with Basel III as follows:

	2019	2018
	<i>(in Baht)</i>	
Tier 1 capital		
Common Equity Tier 1 (CET1)		
Issued and paid-up share capital	1,250,000,000	1,250,000,000
Legal reserve	25,856,568	24,052,568
Net gain after appropriations	224,493,441	215,087,651
Other components of equity	504,977	(5,207,787)
Capital deduction items on CET1	(39,754,303)	(42,130,728)
Total Tier 1 capital	1,461,100,683	1,441,801,704
Tier 2 capital		
Allowance for classified assets of "normal" category	74,686,486	78,354,389
Total Tier 2 capital	74,686,486	78,354,389
Total capital funds	1,535,787,169	1,520,156,093
Total risk weighted assets	6,408,105,068	6,770,351,800

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	The BoT's regulation minimum requirement*	2019	The BoT's regulation minimum requirement (%)	2018
Total capital / Total risk-weighted assets	9.75	23.97	9.125	22.45
Total Tier 1 capital / Total risk-weighted assets	7.25	22.80	6.625	21.30
Total common equity tier 1 / Total risk-weighted assets	5.75	22.80	5.125	21.30
Total Tier 2 capital / Total risk-weighted assets	-	1.17	-	1.15

* Conservation buffer requires additional common equity tier 1 of 0.625% each year starting from 1 January 2018 until the capital buffer ratio of more than 2.5% is reached on 1 January 2021.

As at 31 December 2019 and 2018, the Company has no add-on arising from Single Lending Limit.

Capital management

The Board of Directors' policy is to maintain an adequate level of capital to support growth strategies within an acceptable risk framework, and to meet Bank of Thailand regulatory requirements to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Company defines as result from operating activities divided by total equity, and also monitors the dividends to ordinary shareholders.

7 Intercompany and money market items (assets)

As at 31 December 2019 and 2018, intercompany and money market items (assets) were classified as follows:

	Demand	2019 Time	Total (in Baht)	Demand	2018 Time	Total
Domestic items:						
Bank of Thailand	20,080,155	12,000,000	32,080,155	73,315,190	600,000,000	673,315,190
Commercial banks	91,335,875	-	91,335,875	149,690,557	-	149,690,557
Specialised financial institutions*	-	2,860,000,000	2,860,000,000	-	-	-
Total	111,416,030	2,872,000,000	2,983,416,030	223,005,747	600,000,000	823,005,747
Add accrued interest receivables	3,555	192,427	195,982	5,113	82,192	87,305
Total	111,419,585	2,872,192,427	2,983,612,012	223,010,860	600,082,192	823,093,052

* Specialised financial institutions represent financial institutions which operate under specific development mandates such as Government Saving Banks, Bank of Agricultural Co-operatives, Government Housing Banks, the Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand, Export-Import Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation.



Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

8 Investments, net

8.1 Classification of investments in securities

As at 31 December 2019 and 2018, investments were classified as follows:

	2019 Fair value (in Baht)	2018 Fair value
Available-for-sale investments		
Domestic marketable equity securities	40,150,000	132,937,366
Total	40,150,000	132,937,366
	2019 Cost/amortised cost (in Baht)	2018 Cost/amortised cost
Held-to-maturity securities		
Government and state enterprise securities	-	799,877,546
Total	-	799,877,546
	2019 Cost (in Baht)	2018 Cost
General investments		
Domestic non-marketable equity securities	10,320,000	13,320,000
Less allowance for impairment	(7,820,000)	(7,820,000)
Total	2,500,000	5,500,000
Total investments, net	42,650,000	938,314,912

8.2 Classification of held-to-maturity securities by the remaining period

As at 31 December 2019 and 2018, held-to-maturity securities can be classified by the remaining period to maturity as follows:

	Within 1 year	2019 Maturity 1-5 years (in Baht)	Total
Held-to-maturity securities			
Government and state enterprise securities	-	-	-
Total	-	-	-

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For the year ended 31 December 2019

	Within 1 year	2018 Maturity 1-5 years (in Baht)	Total
Held-to-maturity securities			
Government and state enterprise securities	799,877,546	-	799,877,546
Total	799,877,546	-	799,877,546

8.3 Fair value changes in available-for-sale investments

As at 31 December 2019 and 2018, fair value changes in available-for-sale investments were as follows:

	2019 (in Baht)	2018 (in Baht)
Revaluation deficit on available-for-sale investments	(1,368,779)	(11,227,393)
Revaluation surplus on available-for-sale investments	2,000,000	4,717,659
Total	631,221	(6,509,734)
Deferred tax	(126,244)	1,301,947
Net	504,977	(5,207,787)

8.4 Movement of investments

Movement during the years ended 31 December 2019 and 2018 of investment were as follows:

	2019 (in Baht)	2018 (in Baht)
Available-for-sale investments		
As at 1 January	132,937,366	45,169,840
Purchases during the year	1,281,518,779	120,000,000
Disposals during the year	(1,528,447,100)	(24,552,900)
Transfer type of investment	147,000,000	-
Valuation adjustment	7,140,955	(7,679,574)
As at 31 December	40,150,000	132,937,366
Held-to-maturity securities		
As at 1 January	799,877,546	2,079,750,515
Purchases during the year	9,747,000,000	28,154,000,000
Redemptions during the year	(10,400,000,000)	(29,434,000,000)
Transfer type of investment	(147,000,000)	-
Premium	122,454	127,031
As at 31 December	-	799,877,546



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For the year ended 31 December 2019

8.5 Investments in companies with problems in their financial positions

As at 31 December 2019, the Company held investments in securities issued by companies with problems in its financial positions and operating results. The Company has made a provision for diminution in the value of securities equal to the amount by which the cost exceeds the market value. The aggregate cost is Baht 7.8 million (2018: Baht 7.8 million).

9 Loans to customers and accrued interest receivables, net

9.1 Classified by product as at 31 December 2019 and 2018

	2019	2018
	<i>(in Baht)</i>	
Loans	4,917,756,903	5,399,133,554
Add accrued interest receivables	2,013,632	6,879,235
Total loans and accrued interest receivables	4,919,770,535	5,406,012,789
Less allowance for doubtful accounts		
- allowance established per BoT regulations		
- Individual approach	(39,157,022)	(68,079,669)
- allowance established in excess of BoT regulations	(93,549,119)	(98,819,347)
Total	4,787,064,394	5,239,113,773

As at 31 December 2019, the Company had non-accrual loans, gross, based on the accrual basis of Baht 1,446 million (2018: Baht 1,351 million).

9.2 Classified by currency and residence of customer as at 31 December 2019 and 2018

As at 31 December 2019 and 2018, loans to customers were domestic and denominated entirely in Thai Baht.

Advance Finance Public Company Limited

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For the year ended 31 December 2019

9.3 Classified by business type and quality of loan classification as at 31 December 2019 and 2018

	2019					
	Normal	Special mention	Sub- standard	Doubtful (in Baht)	Doubtful of loss	Total*
Manufacturing and commerce	847,403,785	-	-	60,155,923	176,778,365	1,084,338,073
Property development and construction	1,867,357,458	-	187,309,605	-	752,247,975	2,806,915,038
Infrastructure and services	422,239,397	-	9,665,252	-	210,953,533	642,858,182
Housing loans	289,373,461	12,802,977	11,933,593	5,628,422	43,466,936	363,205,389
Others	19,704,311	169,457	-	-	566,453	20,440,221
Total	3,446,078,412	12,972,434	208,908,450	65,784,345	1,184,013,262	4,917,756,903

* Excluding accrued interest receivables

	2018					
	Normal	Special mention	Sub- standard	Doubtful (in Baht)	Doubtful of loss	Total*
Agriculture and mining	45,803,113	-	-	-	-	45,803,113
Manufacturing and commerce	937,656,351	-	-	161,448,416	40,000,000	1,139,104,767
Property development and construction	2,006,946,495	54,991,843	-	-	828,854,668	2,890,793,006
Infrastructure and services	572,195,022	-	-	-	267,671,229	839,866,251
Housing loans	369,028,678	12,798,858	10,199,886	13,116,521	31,022,553	436,166,496
Others	46,833,468	-	-	-	566,453	47,399,921
Total	3,978,463,127	67,790,701	10,199,886	174,564,937	1,168,114,903	5,399,133,554

* Excluding accrued interest receivables



Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

9.4 Classified by loan classification as at 31 December 2019 and 2018 (inclusive of accrued interest receivables)

2019				
	Loans and accrued interest receivables (in Baht)	Net amount used to set the allowance for doubtful accounts* (in Baht)	% used for setting the allowance (%)	Allowance for doubtful accounts (in Baht)
Minimum allowance of BoT regulations				
- Normal	3,447,913,034	270,169,325	1	2,701,693
- Special mention	13,060,174	-	2	-
- Sub-standard	208,999,720	435,943	100	435,943
- Doubtful	65,784,345	-	100	-
- Doubtful of loss	1,184,013,262	36,019,386	100	36,019,386
Total	4,919,770,535	306,624,654		39,157,022
Allowance established in excess of BoT regulations				93,549,119**
Total				132,706,141

* Net amount used to set the allowance for doubtful accounts means total debts excluded accrued interest receivables after deduction of collateral value (for normal and special mention), or total debts after deduction of the present value of future cash flows expected to be received from debt repayment, or the expected proceeds from the disposal of collateral (for sub-standard, doubtful and doubtful of loss).

** Allowance established in excess of BoT regulations was recorded in regard to Possible Impaired Loan.

2018				
	Loans and accrued interest receivables (in Baht)	Net amount used to set the allowance for doubtful accounts* (in Baht)	% used for setting the allowance (%)	Allowance for doubtful accounts (in Baht)
Minimum allowance of BoT regulations				
- Normal	3,985,266,753	302,248,845	1	3,022,488
- Special mention	67,816,158	-	2	-
- Sub-standard	10,217,773	1,220,767	100	1,220,767
- Doubtful	174,597,202	2,059,985	100	2,059,985
- Doubtful of loss	1,168,114,903	61,776,429	100	61,776,429
Total	5,406,012,789	367,306,026		68,079,669
Allowance established in excess of BoT regulations				98,819,347**
Total				166,899,016

* Net amount used to set the allowance for doubtful accounts means total debts excluded accrued interest receivables after deduction of collateral value (for normal and special mention), or total debts after deduction of the present value of future cash flows expected to be received from debt repayment, or the expected proceeds from the disposal of collateral (for sub-standard, doubtful and doubtful of loss).

** Allowance established in excess of BoT regulations was recorded in regard to Possible Impaired Loan.

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For the year ended 31 December 2019

9.5 Non-Performing Loans (NPLs)

According to the BoT's regulations, finance companies are required to report information as follows:

- Non-Performing Loans (NPL gross)
- The ratio of NPL to total loans (including loans to financial institution)
- Non-Performing Loans, net (NPL net)
- The ratio of total loans, net of allowance for doubtful accounts which is referred to the ratio of NPL net to total loans (including loans to financial institutions) net of allowance for doubtful accounts of NPL.

As at 31 December 2019 and 2018, the Company's non-performing loans, gross were summarised as follows:

	2019	2018
Non-performing loans - gross (<i>in Baht</i>)	1,458,706,057	1,352,879,726
Total loans including loans to financial institutions (<i>in Baht</i>)	7,777,756,903	5,399,133,554
Ratio of NPL gross	18.75	25.06

As at 31 December 2019 and 2018, the Company's non-performing loans, net were summarised as follows:

	2019	2018
Non-performing loans, net (<i>in Baht</i>)	1,422,250,728	1,287,822,545
Total loans including loans to financial institutions, net of allowance for doubtful accounts of NPL (<i>in Baht</i>)	7,741,301,574	5,334,076,373
Ratio of NPL net	18.37	24.14

10 Troubled debt restructuring

During the years ended 31 December 2019 and 2018, there was no loss from troubled debt restructuring.

As at 31 December 2019 and 2018, there was no outstanding balance of the Company's restructured debtors.



Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2019

11 Classified assets

As at 31 December 2019 and 2018, classified assets were as follows:

2019				
	Loans and accrued interest receivables	Investments (in Baht)	Properties for sale	Total
Normal	3,447,913,034	-	-	3,447,913,034
Special mention	13,060,174	-	-	13,060,174
Sub-standard	208,999,720	-	-	208,999,720
Doubtful	65,784,345	-	-	65,784,345
Doubtful of loss	1,184,013,262	7,820,000	184,873	1,192,018,135
Total	4,919,770,535	7,820,000	184,873	4,927,775,408

2018				
	Loans and accrued interest receivables	Investments (in Baht)	Properties for sale	Total
Normal	3,985,266,753	-	-	3,985,266,753
Special mention	67,816,158	-	-	67,816,158
Sub-standard	10,217,773	-	-	10,217,773
Doubtful	174,597,202	-	-	174,597,202
Doubtful of loss	1,168,114,903	7,820,000	184,873	1,176,119,776
Total	5,406,012,789	7,820,000	184,873	5,414,017,662

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For the year ended 31 December 2019

12 Allowance for doubtful accounts

As at 31 December 2019 and 2018, the changes to the allowance for doubtful accounts were as follows:

2019						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations
				(in Baht)		Total
As at 1 January 2019	3,022,488	-	1,220,767	2,059,985	61,776,429	98,819,347
Doubtful accounts (reversal)	(320,795)	-	(784,824)	(2,059,985)	36,514,545	(5,270,228)
Write-off bad debts	-	-	-	-	(62,271,588)	-
As at 31 December 2019	<u>2,701,693</u>	<u>-</u>	<u>435,943</u>	<u>-</u>	<u>36,019,386</u>	<u>93,549,119</u>
						<u>132,706,141</u>
2018						
	Normal	Special mention	Sub- standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations
				(in Baht)		Total
As at 1 January 2018	14,212,543	-	5,796,564	1,512,473	14,200,687	131,176,749
Doubtful accounts (reversal)	(11,190,055)	-	(4,575,797)	547,512	47,575,742	(32,357,402)
As at 31 December 2018	<u>3,022,488</u>	<u>-</u>	<u>1,220,767</u>	<u>2,059,985</u>	<u>61,776,429</u>	<u>98,819,347</u>
						<u>166,899,016</u>



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For the year ended 31 December 2019

13 Properties for sale, net

As at 31 December 2019 and 2018, the changes to the properties for sale, net were as follows:

	Beginning balance	2019		Ending balance
		Additions (in Baht)	Disposals	
Foreclosed assets				
Immovable assets				
- Appraised value by external appraisals	87,078,329	129,896,767	(47,654,943)	169,320,153
Total properties for sale	87,078,329	129,896,767	(47,654,943)	169,320,153
Less allowance for impairment	(184,873)	-	-	(184,873)
Total properties for sale, net	86,893,456	129,896,767	(47,654,943)	169,135,280
	Beginning balance	2018		Ending balance
		Additions (in Baht)	Disposals	
Foreclosed assets				
Immovable assets				
- Appraised value by external appraisals	75,436,120	15,152,865	(3,510,656)	87,078,329
Total properties for sale	75,436,120	15,152,865	(3,510,656)	87,078,329
Less allowance for impairment	(184,873)	-	-	(184,873)
Total properties for sale, net	75,251,247	15,152,865	(3,510,656)	86,893,456

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14 Leasehold improvement and equipment, net

As at 31 December 2019 and 2018, the changes to the leasehold improvement and equipment, net were as follows:

	Leasehold improvement	Computer and equipment	Furniture and fixtures (in Baht)	Vehicles	Total
Cost					
At 1 January 2018	20,333,772	17,575,312	108,514	19,321,860	57,339,458
Additions	308,749	1,651,768	-	-	1,960,517
Disposals	(262,689)	(23,136)	-	-	(285,825)
At 31 December 2018 and 1 January 2019	20,379,832	19,203,944	108,514	19,321,860	59,014,150
Additions	59,336	3,633,191	25,388	4,041,400	7,759,315
Disposals	(110,079)	(1,998,084)	(9,513)	(2,520,000)	(4,637,676)
At 31 December 2019	20,329,089	20,839,051	124,389	20,843,260	62,135,789
Accumulated depreciation					
At 1 January 2018	14,864,273	12,038,108	68,721	12,976,731	39,947,833
Depreciation charge for the year	2,263,767	1,563,030	10,472	2,155,994	5,993,263
Disposals	(193,544)	(20,107)	-	-	(213,651)
At 31 December 2018 and 1 January 2019	16,934,496	13,581,031	79,193	15,132,725	45,727,445
Depreciation charge for the year	2,353,506	1,985,220	12,537	2,191,419	6,542,682
Disposals	(110,078)	(1,996,351)	(9,512)	(2,519,998)	(4,635,939)
At 31 December 2019	19,177,924	13,569,900	82,218	14,804,146	47,634,188
Net book value					
At 31 December 2018 and 1 January 2019	3,445,336	5,622,913	29,321	4,189,135	13,286,705
At 31 December 2019	1,151,165	7,269,151	42,171	6,039,114	14,501,601

The gross amount of the Company's fully depreciated leasehold improvement and equipment that was still in use as at 31 December 2019 amounted to Baht 24.0 million (2018: Baht 28.3 million).



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15 Intangible assets, net

As at 31 December 2019 and 2018, the changes to the intangible assets, net were as follows:

	Software licenses	Intangible assets under installation (in Baht)	Total
Cost			
At 1 January 2018	10,491,033	24,493,455	34,984,488
Additions	219,336	7,309,805	7,529,141
Transfer in (out)	8,243,712	(8,243,712)	-
Adjustments	-	(1,395,706)	(1,395,706)
At 31 December 2018 and 1 January 2019	18,954,081	22,163,842	41,117,923
Additions	411,080	1,584,746	1,995,826
Transfer in (out)	249,358	(249,358)	-
Adjustments	(29,462)	-	(29,462)
At 31 December 2019	19,585,057	23,499,230	43,084,287
Accumulated amortisation			
At 1 January 2018	8,967,474	-	8,967,474
Amortisation charge for the year	2,021,873	-	2,021,873
At 31 December 2018 and 1 January 2019	10,989,347	-	10,989,347
Amortisation charge for the year	2,182,435	-	2,182,435
At 31 December 2019	13,171,782	-	13,171,782
Net book value			
At 31 December 2018 and 1 January 2019	7,964,734	22,163,842	30,128,576
At 31 December 2019	6,413,275	23,499,230	29,912,505

The gross amount of the Company's fully amortisation intangible assets that was still in use as at 31 December 2019 amounted to Baht 8.6 million (2018: Baht 8.5 million).

16 Other assets, net

As at 31 December 2019 and 2018, other assets, net were as follows:

	2019	2018
	(in Baht)	
Prepaid income tax	2,866,893	1,957,234
Deposits	2,590,122	2,595,091
Prepaid expenses	1,137,172	1,125,349
Other receivables	33,430	1,055,570
Others	46,000	5,849,106
	6,673,617	12,582,350
Less allowance for impairment	-	(4,637,402)
Total	6,673,617	7,944,948

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17 Deposits

17.1 Classified by product as at 31 December 2019 and 2018

	2019	2018
	<i>(in Baht)</i>	
Certificates of deposit	5,735,861,808	5,376,008,148
Total	<u>5,735,861,808</u>	<u>5,376,008,148</u>

17.2 Classified by currency and residence of customer as at 31 December 2019 and 2018

As at 31 December 2019 and 2018, the Company's deposits were domestic and denominated entirely in Thai Baht.

18 Intercompany and money market items (liabilities)

As at 31 December 2019 and 2018, intercompany and money market items (liabilities) were as follows:

	Demand	2019 Time	Total	Demand	2018 Time	Total
			<i>(in Baht)</i>			
Domestic items:						
Other financial institutions	-	630,137,449	630,137,449	-	185,237,336	185,237,336
Specialised financial institutions*	-	100,000,000	100,000,000	-	-	-
Total domestic items	<u>-</u>	<u>730,137,449</u>	<u>730,137,449</u>	<u>-</u>	<u>185,237,336</u>	<u>185,237,336</u>

* Specialised financial institutions represent financial institutions which operate under specific development mandates such as Government Saving Banks, Bank of Agricultural Co-operatives, Government Housing Banks, the Small and Medium Enterprise Development Bank of Thailand, Islamic Bank of Thailand, Export-Import Bank of Thailand and Secondary Mortgage Corporation but excluding the Small Business Credit Guarantee Corporation.

19 Provisions for employee benefits

Defined benefit plan

The Company operate a defined benefit plan based on the requirement of Thai Labour Protection Act B.E 2541 (1998) to provide retirement benefits to employees based on pensionable remuneration and length of service. The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk.



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Present value of the defined benefit obligations

	2019	2018
	<i>(in Baht)</i>	
At 1 January	25,297,293	16,424,363
Include in profit or loss:		
Current service cost	4,664,948	4,230,384
Past service cost	3,998,051	-
Interest on obligation	667,755	433,121
	9,330,754	4,663,505
	2019	2018
	<i>(in Baht)</i>	
Include in other comprehensive income		
Actuarial loss		
- Demographic assumptions	(1,965,497)	250,297
- Financial assumptions	1,379,371	446,031
- Experience adjustment	5,164,298	3,513,097
	4,578,172	4,209,425
Benefit paid	(17,569,742)	-
	(17,569,742)	-
At 31 December	21,636,477	25,297,293

On 5 April 2019, the Labor Protection Act was amended to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate. The Company has therefore amended its retirement plan in accordance with the changes in the Labor Protection Act in 2019. As a result of this change, the provision for retirement benefits as well as past service cost recognised increased.

Principal actuarial assumptions

	2019	2018
	<i>(%)</i>	
Discount rate	1.5	2.5
Future salary growth	5.0	4.0 - 8.0
Long-term inflation rate	2.75	2.5

Assumptions regarding future mortality have been based on published statistics and mortality tables.

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Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

<i>Effect to the defined benefit obligation at 31 December</i>	Increase in assumption		Decrease in assumption	
	2019	2018	2019	2018
	<i>(in Baht)</i>			
Discount rate (1% movement)	(1,395,827)	(1,366,106)	1,571,980	1,524,105
Future salary growth (1% movement)	1,501,272	1,734,844	(1,364,132)	(1,582,615)
Employee turnover rate (20% movement)	(1,043,375)	(758,481)	1,183,204	844,253
Future mortality (20% movement)	(163,022)	-	164,781	-
Future mortality (1% movement)	-	(41,269)	-	38,383

20 Other liabilities

As at 31 December 2019 and 2018, other liabilities were as follows:

	2019	2018
	<i>(in Baht)</i>	
Payable from Legal Executive Department	469,000	199,185
Accrued expenses	5,418,412	6,198,491
Other payables	2,126,999	3,182,889
Withholding tax payable	1,119,022	2,195,149
Specific business tax and value added tax payable	978,607	1,031,566
Others	131,694	274,899
Total	10,243,734	13,082,179

21 Share capital

As at 31 December 2019 and 2018, share capital were as follows:

	Par value per share <i>(in Baht)</i>	2019 Number	2019 Amount <i>(shares / in Baht)</i>	2018 Number	2018 Amount
<i>Authorised</i>					
At 1 January					
- ordinary shares	1	1,250,000,000	1,250,000,000	1,350,000,000	1,350,000,000
Reduction of shares	1	-	-	(350,000,000)	(350,000,000)
Issue of new shares	1	-	-	250,000,000	250,000,000
31 December					
- ordinary shares	1	1,250,000,000	1,250,000,000	1,250,000,000	1,250,000,000



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	Par value per share (in Baht)	Number	2019 Amount (shares / in Baht)	Number	2018 Amount
<i>Issued and paid-up</i>					
At 1 January					
- ordinary shares	1	1,250,000,000	1,250,000,000	1,000,000,000	1,000,000,000
Issue of new shares	1	-	-	250,000,000	250,000,000
31 December					
- ordinary shares	1	1,250,000,000	1,250,000,000	1,250,000,000	1,250,000,000

On 28 March 2018, the annual general meeting of the shareholders approved to reduce the Company's authorised share capital of Baht 350 million from Baht 1,350 million to Baht 1,000 million by cancelling 350 million un-paid ordinary shares with par value of Baht 1 each. The new authorised share capital was registered with the Ministry of Commerce on 10 April 2018. The meeting also approved to increase the Company's authorised share capital of Baht 250 million from Baht 1,000 million to Baht 1,250 million by authorising and issuing 250 million new ordinary shares with par value of Baht 1 each. The new authorised share capital was registered with the Ministry of Commerce on 11 April 2018 and the new issued and paid-up share capital was registered with the Ministry of Commerce on 25 May 2018.

22 Reserves***Legal reserve***

Section 116 of the Public Companies Act B.E. 2535 requires that a public company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

Other reserves*Fair value changes in available-for-sale investments*

The fair value changes in available-for-sale investments account comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

Movements in reserves

Movements in reserves are shown in the statement of changes in equity.

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23 Dividends

At the annual general meeting of the shareholders of the Company held on 24 April 2019, the shareholders approved the appropriation of dividend of Baht 0.02 per share, amounting to Baht 25 million. The dividend was paid to shareholders on 13 May 2019.

At the annual general meeting of the shareholders of the Company held on 28 March 2018, the shareholders approved the appropriation of dividend of Baht 0.04 per share, amounting to Baht 40 million. The dividend was paid to shareholders on 10 April 2018.

24 Contingencies

As at 31 December 2019 and 2018, contingencies were as follows:

	2019	2018
	<i>(in Baht)</i>	
Other contingencies		
- Other guarantee	33,968,419	40,994,889
- Committed line	610,256,399	444,950,511
Total	644,224,818	485,945,400

25 Related parties

Other related parties that the Company had significant transactions with during year were as follows:

Name of entity/personnel	Nationality/ country of incorporation	Nature of relationships
Energy Absolute PCL	Thai	Entities in which the directors, management of their families have significant influence
Key management personnel	Thai	Persons having authority and responsibility for planning, directly and controlling the activities of the Company, directly or indirectly, including any director of the Company (whether executive or otherwise)



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For the year ended 31 December 2019

Major shareholder or the Companies have relationship with the directors of the major shareholders and close members of their families until 27 March 2019, and the following entities:

- Seamico Securities PCL
- Lumpini Asset Management Co., Ltd.

Directors of the Company have the ability, directly or indirectly, to control or joint control or exercise significant influence over the Company until 23 August 2019, is the following entity:

- Don Muang Tollway PCL

Interest rate and other pricing for key management personnel and other related parties are at the same rate as in the normal course of business with the same business conditions as general customers.

The Company has not paid other benefits to executive directors and key management personnel, except for the benefits that are normally paid such as salary, bonus and post-employment benefits etc.

For the year ended 31 December

	2019	2018
	(in Baht)	
Short-term employee benefits	59,217,022	59,907,576
Post-employment benefits	4,109,507	3,765,662
Severance payments	7,806,607	-
Total	71,133,136	63,673,238

Significant transactions for the years ended 31 December 2019 and 2018 with key management personnel and related parties were as follows:

For the year ended 31 December

	2019	2018
	(in Baht)	
Interest income		
Entities in which the directors, management of their families have significant influence	129,751	643,422
Interest expense		
Key management personnel	119,530	321,907
Entities in which the directors, management of their families have significant influence	1,179,377	1,457,535

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For the year ended 31 December 2019

Significant balances with key management personnel and related parties as at 31 December 2019 and 2018 were as follows:

	2019	2018
	(in Baht)	
Loans to customers		
Entities in which the directors, management of their families have significant influence	-	8,043,722
Accrued interest receivables		
Entities in which the directors, management of their families have significant influence	-	6,171
Deposits		
Key management personnel	6,570,779	8,071,105
Entities in which the directors, management of their families have significant influence	1,700,000,000	53,289,155
Accrued interest payables		
Key management personnel	15,819	60,388
Entities in which the directors, management of their families have significant influence	283,562	190,715

Directors who have no position in executive level of the Company only receive an annual remuneration and allowances.

For the year ended 31 December

	2019	2018
	(in Baht)	
Directors' remuneration	3,952,156	5,000,000
Total	3,952,156	5,000,000

26 Operating leases

The Company leases the building area and office equipment under operating leases. The leases typically run for a period of 1 year to 4 years, with an option to renew the lease after that date. Lease payments are renegotiated every 1 year to 4 years, to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain operating leases, the Company is restricted from entering into any sub-lease arrangements.

The building area and office equipment leases were entered into many years ago as combined leases of buildings and office equipment. The Company determined that the building area and office equipment leases are operating leases. The rent paid to the lessor is adjusted to market rentals at regular intervals, and the Company does not have an interest in the residual value of the buildings and office equipment. As a result, it was determined that substantially all of the risks and rewards of the leased assets are belong to the lessor.



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For the year ended 31 December 2019

(a) Future minimum lease payments

As at 31 December 2019 and 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	2019	2018
	<i>(in Baht)</i>	
Within one year	9,115,236	8,835,622
After one year but within five years	584,220	8,864,856
Total	9,699,456	17,700,478

*(b) Amount recognised in profit or loss****For the year ended 31 December***

	2019	2018
	<i>(in Baht)</i>	
Lease expense	3,126,581	3,125,802
Total	3,126,581	3,125,802

27 Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance. The chief operating decision maker has been identified as the Board of Directors.

Finance business is the main business segment of the Company with revenues, expenses, assets and liabilities over 85 percent of all segments. None of the other business segments individually represent more than 10 percent of the amounts recording with the financial statements. When taking into consideration the business location of the Company, there is only one geographical segment as the business operates only in Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

Timing of revenue recognition on fees and service income is at a point in time.

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Notes to the financial statements
For the year ended 31 December 2019

28 Interest income

Interest income included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

<i>For the year ended 31 December</i>	2019	2018
	(in Baht)	
Intercompany and money market items	7,711,357	8,834,638
Investment in debt securities	8,836,653	13,388,128
Loans	319,409,025	365,777,226
Total	335,957,035	387,999,992

29 Interest expense

Interest expense included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

<i>For the year ended 31 December</i>	2019	2018
	(in Baht)	
Deposits	105,113,677	165,691,921
Intercompany and money market items	4,039,662	7,133,017
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency	22,467,827	28,937,867
Total	131,621,166	201,762,805

30 Fees and service income

Fees and service income included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

<i>For the year ended 31 December</i>	2019	2018
	(in Baht)	
Acceptances, avals and guarantees	614,540	686,606
Financial consulting fee	11,890,000	15,692,500
Fees on loans	6,672,703	5,457,033
Total	19,177,243	21,836,139



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Notes to the financial statements

For the year ended 31 December 2019

31 Net gain on investments

Net gain on investments included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

<i>For the years ended 31 December</i>	2019	2018
	<i>(in Baht)</i>	
Gain on disposal of available-for-sale investments	3,798,807	837,120
Gain on disposal of held-to-maturity securities	59,533	-
Total	3,858,340	837,120

32 Bad debt, doubtful accounts and loss on impairment (reversal)

Bad debt, doubtful accounts and loss on impairment (reversal) included in profit or loss for the years ended 31 December 2019 and 2018 were as follows:

<i>For the year ended 31 December</i>	<i>Note</i>	2019	2018
		<i>(in Baht)</i>	
Loans to customers			
- Bad debt recovery		(18,011,627)	(1,144,394)
- Doubtful accounts	12	28,078,713	-
Total		10,067,086	(1,144,394)

33 Income tax***Income tax recognised in profit or loss***

<i>For the year ended 31 December</i>	2019	2018
	<i>(in Baht)</i>	
Current tax expense		
Current year	8,844,784	9,670,642
	8,844,784	9,670,642
Deferred tax expense		
Movements in temporary differences	1,647,797	(932,701)
	1,647,797	(932,701)
Total income tax expense	10,492,581	8,737,941

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Income tax recognised in other comprehensive income

	2019			2018		
	Before tax	Tax (expense) benefit	Net of tax (in Baht)	Before tax	Tax benefit	Net of tax
Available-for-sale investments	7,140,955	(1,428,191)	5,712,764	(7,679,574)	1,535,915	(6,143,659)
Actuarial losses on defined benefit plan	(4,578,171)	915,634	(3,662,537)	(4,209,425)	841,885	(3,367,540)
Total	2,562,784	(512,557)	2,050,227	(11,888,999)	2,377,800	(9,511,199)

Reconciliation of effective tax rate

For the year ended 31 December

	2019		2018	
	Rate (%)	(in Baht)	Rate (%)	(in Baht)
Profit before income tax expense		<u>55,215,675</u>		<u>44,815,641</u>
Income tax using the Thai Corporation tax rate	20.0	11,043,135	20.0	8,963,128
Income not subject to tax		(736,122)		(399,354)
Expense not deductible for tax purposes		185,568		174,167
Total	19.0	10,492,581	19.5	8,737,941

Deferred tax

	2019	2018
	(in Baht)	
Deferred tax assets	9,841,798	12,002,152
Deferred tax liabilities	-	-
Net	9,841,798	12,002,152



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For the year ended 31 December 2019

Movements in deferred tax assets and liabilities during the years ended 31 December 2019 and 2018 were as follows:

	At 1 January 2019	(Charged) / Credited to:		At 31 December 2019
		Profit or loss (in Baht)	Other comprehensive income	
Deferred tax assets				
Allowance for impairment of general investment	1,564,000	-	-	1,564,000
Gains (losses) on remeasurement available-for-sale investments	1,301,947	-	(1,428,191)	(126,244)
Allowance for doubtful accounts	4,039,773	-	-	4,039,773
Allowance for impairment of properties for sale	36,975	-	-	36,975
Provisions for employee benefits	5,059,457	(1,647,797)	915,634	4,327,294
Total	12,002,152	(1,647,797)	(512,557)	9,841,798
	At 1 January 2018	(Charged) / Credited to:		At 31 December 2018
		Profit or loss (in Baht)	Other comprehensive income	
Deferred tax assets				
Allowance for impairment of general investment	1,564,000	-	-	1,564,000
Gains (losses) on remeasurement available-for-sale investments	(233,968)	-	1,535,915	1,301,947
Allowance for doubtful accounts	4,039,773	-	-	4,039,773
Allowance for impairment of properties for sale	36,975	-	-	36,975
Provisions for employee benefits	3,523,708	932,701	603,048	5,059,457
Total	8,930,488	932,701	2,138,963	12,002,152
Deferred tax liabilities				
Actuarial losses on defined benefit plan	(238,837)	-	238,837	-
Total	(238,837)	-	238,837	-
Net	8,691,651	932,701	2,377,800	12,002,152

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Notes to the financial statements
For the year ended 31 December 2019

34 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2019 and 2018 were as follows:

<i>For the year ended 31 December</i>	2019	2018
	<i>(in Baht / shares)</i>	
Profit attributable to ordinary shareholders of the Company (basic)	44,723,094	36,077,700
Number of ordinary shares outstanding at 1 January	1,250,000,000	1,000,000,000
Effect of shares issued on 25 May 2018	-	150,684,932
Weighted average number of ordinary shares outstanding	1,250,000,000	1,150,684,932
Basic earnings per share (basic)	0.04	0.03

35 Events after the reporting period

The Board of Director's meeting held on 21 February 2020, unanimously approved the resolution to present the annual general meeting of the shareholders of the Company held on 27 April 2020 for the appropriation of dividend of Baht 0.02 per share, amounting to Baht 25 million.

36 Thai Financial Reporting Standards (TFRS) not yet adopted

New TFRS, which are relevant to the Company's operations, expected to have material impact on the Company's financial statements when initially adopted, and will become effective for the financial statements in annual reporting periods beginning on or after 1 January 2020, are as follows

TFRS	Topic
TFRS 7*	Financial Instruments: Disclosures
TFRS 9*	Financial Instruments
TFRS 16	Leases
TAS 32*	Financial Instruments: Presentation
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments

* TFRS - Financial instruments standards



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Notes to the financial statements

For the year ended 31 December 2019

(a) TFRS - Financial instruments standards

These TFRS - Financial instruments standards establish requirements related to definition, recognition, measurement, impairment and derecognition of financial assets and financial liabilities, including accounting for derivatives and hedge accounting. When these TFRS are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled. The impact from adoption of TFRS - Financial instruments are as follows:

(i) Classification - Financial assets

TFRS 9 classifies financial assets into three categories: measured at amortised cost, fair value to other comprehensive income (FVOCI) and fair value to profit or loss (FVTPL). The standard eliminates the existing classification of held-to-maturity debt securities, available-for-sale securities, trading securities and general investment as specified by TAS 105. The classification under TFRS 9 will be based on the cash flow characteristics of the financial asset and the business model in which they are managed.

(ii) Measurement at amortised cost

Under TFRS 9, interest income and interest expenses recognised from all financial assets and financial liabilities measured at amortised cost shall be calculated using effective interest rate method.

(iii) Impairment - Financial assets

TFRS 9 introduces forward-looking 'expected credit loss' (ECL) model whereas currently the Company estimates allowance for doubtful account by analysing payment histories and future expectation of customer payment. TFRS 9 requires considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

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(iv) Classification - Financial liabilities

TFRS 9 introduces a new classification and measurement approach for financial liabilities consisting of two principal classification categories: amortised cost and FVTPL. A financial liability is classified as financial liabilities measured at FVTPL if it is held for trading, a derivative or designated as such on the initial recognition.

Under TFRS 9, changes in fair value of financial liabilities classified as FVTPL are generally presented as follows:

- the amount of fair value that changes due to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of fair value changed is presented in profit or loss.

The Company expects to initially adopt these TFRS by adjusting the impact to retained earnings or other component of equity on 1 January 2020. Therefore, the Company will not apply the requirements of these TFRS to comparative information.

Based on the preliminary impact assessment of initially applying TFRS - Financial instruments on the financial statements, the Company estimates the impact to retained earnings to be approximately 5% mainly resulting from classification of financial assets and the expected credit loss.



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(b) TFRS 16 Leases

TFRS 16 introduces a single lessee accounting model for lessees. A lessee recognises a right-of-use asset and a lease liability. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard, i.e. lessors continue to classify leases as finance or operating leases. When this TFRS is effective, some accounting standards and interpretations which are currently effective will be cancelled.

Currently, the Company recognises payments made under operating leases in profit or loss on a straight-line basis over the term of the lease, and recognised liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under TFRS 16, the Company will recognise right-of-use assets and lease liabilities for its operating leases as disclosed in Note 26. As a result, the nature of expenses related to those leases will be changed because the Company will recognise depreciation of right-of-use assets and interest expense on lease liabilities.

The Company plans to apply TFRS 16 initially on 1 January 2020, using the modified retrospective approach. Based on the preliminary impact assessment of initially applying TFRS 16 on the financial statements, the Company estimates that the impact is not material to the financial statements.



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