

Advance Finance Public Company Limited

Financial statements for the year ended
31 December 2018
and
Independent Auditor's Report



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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 statements of financial position as at 31 December 2018, 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 2017 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.

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.

A handwritten signature in black ink, appearing to read 'P. Gulsantithamrong'.

(Pantip Gulsantithamrong)
Certified Public Accountant
Registration No. 4208

KPMG Phoomchai Audit Ltd.
Bangkok
27 February 2019

Advance Finance Public Company Limited

Statement of financial position

Assets	Note	31 December	
		2018	2017
		<i>(in Baht)</i>	
Cash		4,132	30,000
Intercompany and money market items	7	823,093,052	1,137,425,885
Investments, net	8	938,314,912	2,130,420,355
Loans to customers and accrued interest receivables, net	9		
Loans to customers	26	5,399,133,554	5,663,305,002
Accrued interest receivables	26	<u>6,879,235</u>	<u>12,096,602</u>
Total loans to customers and accrued interest receivables		5,406,012,789	5,675,401,604
Less allowance for doubtful accounts	12	<u>(166,899,016)</u>	<u>(166,899,016)</u>
Total loans to customers and accrued interest receivables, net		5,239,113,773	5,508,502,588
Properties for sale, net	13	86,893,456	75,251,247
Equipment, net	14	13,286,705	17,391,625
Intangible assets, net	15	30,128,576	26,017,014
Deferred tax assets	16	12,002,152	8,691,652
Receivable from Legal Execution Department		8,567,450	3,468,750
Other assets, net	17	<u>7,944,948</u>	<u>8,051,693</u>
Total assets		<u>7,159,349,156</u>	<u>8,915,250,809</u>



บริษัทการเงิน แอควานซ์ จำกัด (มหาชน)
Advance Finance Public Company Limited

(Handwritten signature)

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

Advance Finance Public Company Limited

Statement of financial position

Liabilities and equity	Note	31 December	
		2018	2017
		<i>(in Baht)</i>	
Liabilities			
Deposits	18, 26	5,376,008,148	7,277,698,047
Intercompany and money market items	19	185,237,336	274,617,534
Accrued interest payable	26	20,617,284	29,989,186
Contributions to the Financial Institutions			
Development Fund and the Deposit			
Protection Agency payable		12,831,254	18,359,122
Income tax payable		6,265,529	-
Provisions for employee benefits	20	25,297,293	16,424,363
Other liabilities	21	13,082,179	14,718,925
Total liabilities		5,639,339,023	7,631,807,177
Equity			
Share capital			
22			
Authorised share capital			
1,250,000,000 ordinary shares of Baht 1 each		1,250,000,000	
1,350,000,000 ordinary shares of Baht 1 each			1,350,000,000
Issued and paid-up share capital			
1,250,000,000 ordinary shares of Baht 1 each		1,250,000,000	
1,000,000,000 ordinary shares of Baht 1 each			1,000,000,000
Other components of equity	8.3	(5,207,787)	935,872
Retained earnings			
Appropriated			
Legal reserve	23	25,856,568	24,052,568
Unappropriated		249,361,352	258,455,192
Total equity		1,520,010,133	1,283,443,632
Total liabilities and equity		7,159,349,156	8,915,250,809

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

Advance Finance Public Company Limited

Statements of profit or loss and other comprehensive income

		Year ended 31 December	
	<i>Note</i>	2018	2017
		<i>(in Baht)</i>	
Interest income	26, 29	387,999,992	523,022,176
Interest expense	26, 30	<u>201,762,805</u>	<u>266,636,654</u>
Net interest income		186,237,187	256,385,522
Fees and service income	31	<u>21,836,139</u>	<u>29,492,310</u>
Net fees and service income		21,836,139	29,492,310
Net gains on investments	32	837,120	3,096,153
Dividend income		3,993,535	8,164,825
Gain on properties for sale		319,344	-
Other operating income		<u>20,815</u>	<u>271,645</u>
Total operating income		213,244,140	297,410,455
Other operating expenses			
Employee expenses	26	94,721,636	103,252,659
Directors' remuneration	26	5,000,000	3,400,000
Premises and equipment expenses		20,396,200	17,265,350
Taxes and duties		12,710,229	17,785,286
Others		<u>36,744,828</u>	<u>23,617,847</u>
Total other operating expenses		169,572,893	165,321,142
Bad debt, doubtful accounts and loss on impairment	33	<u>(1,144,394)</u>	<u>42,381,017</u>
Profit from operating before income tax expense		44,815,641	89,708,296
Income tax expense	34	<u>8,737,941</u>	<u>17,307,273</u>
Profit for the year		<u>36,077,700</u>	<u>72,401,023</u>

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

Advance Finance Public Company Limited

Statements of profit or loss and other comprehensive income

		Year ended 31 December	
	Note	2018	2017
		<i>(in Baht)</i>	
Other comprehensive income (expense)			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Gains (losses) on remeasuring available-for-sale investments	8.4	(7,679,574)	2,848,534
Income tax relating to items that will be reclassified	34	<u>1,535,915</u>	<u>(569,707)</u>
		<u>(6,143,659)</u>	<u>2,278,827</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial losses on defined benefit plans	20	(4,209,425)	-
Income tax relating to items that will not be reclassified	34	<u>841,885</u>	<u>-</u>
		<u>(3,367,540)</u>	<u>-</u>
Other comprehensive income (expense) for the year,			
net of income tax			
		<u>(9,511,199)</u>	<u>2,278,827</u>
Total comprehensive income for the year		<u><u>26,566,501</u></u>	<u><u>74,679,850</u></u>
Basic earnings per share	35	<u><u>0.03</u></u>	<u><u>0.07</u></u>

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

Advance Finance Public Company Limited

Statement of changes in equity

	Note	Retained earnings				Total shareholders' equity
		Issued and paid-up share capital	Other reserves	Legal reserve (in Baht)	Unappropriated	
		Available-for-sale investments				
Year ended 31 December 2017						
Balance at 1 January 2017		1,000,000,000	(1,342,955)	20,432,516	246,674,221	1,265,763,782
Transactions with owners, recorded directly in equity						
<i>Distributions to owners</i>						
Dividends	24	-	-	-	(57,000,000)	(57,000,000)
Total distributions to owners		-	-	-	(57,000,000)	(57,000,000)
Comprehensive income for the year						
Profit		-	-	-	72,401,023	72,401,023
Other comprehensive income		-	2,278,827	-	-	2,278,827
Total comprehensive income		-	2,278,827	-	72,401,023	74,679,850
Transfer to legal reserve		-	-	3,620,052	(3,620,052)	-
Balance at 31 December 2017		1,000,000,000	935,872	24,052,568	258,455,192	1,283,443,632
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						
<i>Contributions by and distributions to owners</i>						
Issue of ordinary shares	22	250,000,000	-	-	-	250,000,000
Dividends	24	-	-	-	(40,000,000)	(40,000,000)
Total contributions by and distributions to owners		250,000,000	-	-	(40,000,000)	210,000,000
Comprehensive income for the year						
Profit		-	-	-	36,077,700	36,077,700
Other comprehensive expense		-	(6,143,659)	-	(3,367,540)	(9,511,199)
Total comprehensive income (expense)		-	(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 are an integral part of these financial statements.

Advance Finance Public Company Limited

Statement of cash flows

	Year ended 31 December	
	2018	2017
	<i>(in Baht)</i>	
<i>Cash flows from operating activities</i>		
Profit from operating before income tax expense	44,815,641	89,708,296
<i>Adjustments to reconcile profit from operating before income tax expense to cash receipts (payments) from operating activities</i>		
Depreciation and amortisation	8,015,136	5,832,346
Bad debt and doubtful accounts	-	44,649,979
Gains on sale of properties for sale	(319,344)	-
(Gains) losses on sale of equipment	65,674	(262,963)
Employee benefit expense	4,663,505	1,989,766
Net interest income	(186,237,187)	(256,385,522)
Gains on investments	(837,120)	(3,096,153)
Dividend income	(3,993,535)	(8,164,825)
Proceeds from interest	393,506,963	514,486,825
Interest paid	(216,662,575)	(263,899,833)
Proceeds from dividend	4,129,615	8,028,745
Income tax paid	<u>(3,405,113)</u>	<u>(24,785,322)</u>
Profit from operating before changes in operating assets and liabilities	43,741,660	108,101,339
<i>(Increase) decrease in operating assets</i>		
Intercompany and money market items	314,339,590	(115,491,010)
Loans to customers	264,171,447	1,098,077,204
Properties for sale	(11,322,865)	(11,597,181)
Receivable from Legal Execution Department	(5,098,700)	-
Other assets	(452,726)	(2,774,075)
<i>Increase (decrease) in operating liabilities</i>		
Deposits	(1,901,689,899)	(497,504,594)
Intercompany and money market items	(89,380,198)	4,669,795
Other liabilities	<u>(1,636,745)</u>	<u>(2,229,774)</u>
Net cash (used in) from operating activities	<u>(1,387,328,436)</u>	<u>581,251,704</u>

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

Advance Finance Public Company Limited

Statement of cash flows

		Year ended 31 December	
	Note	2018	2017
		<i>(in Baht)</i>	
<i>Cash flows from investing activities</i>			
Acquisition of available-for-sale investments		(120,000,000)	-
Proceeds from sale of available-for-sale investments		25,390,020	109,204,874
Acquisition of held-to-maturity debt securities		(28,154,000,000)	(36,063,000,000)
Proceeds from redemption of held-to-maturity debt securities		29,434,000,000	35,463,000,000
Acquisition of equipment		(1,960,517)	(8,309,776)
Proceeds from sale of equipment		6,500	262,974
Acquisition of intangible assets		<u>(6,133,435)</u>	<u>(25,409,776)</u>
Net cash from (used in) investing activities		<u>1,177,302,568</u>	<u>(524,251,704)</u>
<i>Cash flows from financing activities</i>			
Proceeds from issue of shares	22	250,000,000	-
Dividends paid to shareholders of the Company	24	<u>(40,000,000)</u>	<u>(57,000,000)</u>
Net cash from (used in) financing activities		<u>210,000,000</u>	<u>(57,000,000)</u>
Net cash		(25,868)	-
Cash at 1 January		<u>30,000</u>	<u>30,000</u>
Cash at 31 December		<u>4,132</u>	<u>30,000</u>
<i>Non-cash transactions</i>			
Gain (loss) on remeasuring available-for-sale investments		(7,679,574)	2,848,534
Loss on remeasurements of defined benefit plans		(4,209,425)	-

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

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

Note	Contents
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Financial risk management
5	Financial instruments
6	Maintenance of capital fund
7	Intercompany and money market items (assets)
8	Investments, net
9	Loans to customers and accrued interest receivables, net
10	Troubled debt restructuring
11	Classified assets
12	Allowance for doubtful accounts
13	Properties for sale, net
14	Equipment, net
15	Intangible assets, net
16	Deferred tax assets
17	Other assets, net
18	Deposits
19	Intercompany and money market items (liabilities)
20	Provisions for employee benefits
21	Other liabilities
22	Share capital
23	Reserves
24	Dividends
25	Contingencies
26	Related parties
27	Operating leases
28	Segment information
29	Interest income
30	Interest expense
31	Fees and service income
32	Net gains on investments
33	Bad debt, doubtful accounts and loss on impairment
34	Income tax expense
35	Basic earnings per share
36	Events after the reporting period
37	Reclassification of accounts

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

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 27 February 2019.

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 Limited Company Act B.E. 2535 on 26 May 2004 and had been approved from Ministry of Finance on 20 December 1974.

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).

The Company’s major shareholders as at 31 December 2017 were Seamico Securities Public Company Limited (10% shareholding) and The Brooker 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 (FAP); and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 21/2558, directive dated 4 December 2015, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are the parent company of group of companies offering financial services”.

The FAP has issued new and revised TFRS effective for annual accounting periods beginning on or after 1 January 2018. The initial application of these new and revised TFRS has resulted in changes in certain of the Company’s accounting policies. These changes have no material effect on the financial statements.

In addition to the above new and revised TFRSs, the FAP has issued a number of new and revised TFRSs which are not yet effective for current periods. The Company has not early adopted these standards in preparing these financial statements.

A number of new and revised TFRS which relevant to the Company’s operations are expected to have significant impact on the financial statements on the date of initial application. Those TFRS become effective for annual financial reporting periods beginning on or after 1 January of the following years.

TFRS	Topic	Effective
TFRS 7*	Financial Instruments: Disclosures	2020
TFRS 9*	Financial Instruments	2020
TFRS 15	Revenue from Contracts with Customers	2019
TFRS 16	Leases	2020
TAS 32*	Financial Instruments: Presentation	2020

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

TFRS	Topic	Effective
TFRIC 16*	Hedges of a Net Investment in a Foreign Operation	2020
TFRIC 19*	Extinguishing Financial Liabilities with Equity Instruments	2020

* TFRS - Financial instruments standards

TFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2019. TFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Revenue should be recognised when (or as) an entity transfers control over goods or services to a customer, measured at the amount to which the entity expects to be entitled. It replaces existing revenue recognition standards as follows:

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

The Company has made a preliminary assessment of the potential impact of adopting and initially applying TFRS 15 on the financial statements and expects that there will be no material impact on the financial statements in the period of initial application.

TFRS 9 Financial Instruments and relevant standards

TFRS 9 Financial Instruments and relevant TFRSs, effective for annual financial periods beginning on or after 1 January 2020. These standards result in significant changes to the overall accounting and financial reporting treatment of financial instruments. The standards issued include the following:

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

Management is presently considering the potential impact of adopting and initially applying TFRS 9 and relevant TFRSs.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items.

<i>Items</i>	<i>Measurement bases</i>
Available-for-sale investments	Fair value
Defined benefit liability	Present value of the defined benefit obligation as explained in Note 3 (k)

(c) *Functional and presentation currency*

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

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

(d) *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 accounting policies and the reported amounts of assets, liabilities, income and expenses. 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:

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 for loans to customers

Allowance for doubtful accounts for 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 may therefore be required in the future.

Measurement of defined benefit obligations

The calculation of the defined benefit obligations is sensitive to the assumptions on discount rate and future salary increases as set out in note 20.

Measurement of fair values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets. Details of the methods and assumptions over the measurement of fair values are provided in note 5.

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 ultimately differ.

3 Significant accounting policies

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

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

(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.

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 shown exclusive of accrued interest receivables.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

(e) Allowance for doubtful accounts

The Company provides allowance for doubtful accounts in accordance with the notifications of the BoT based on an evaluation of the current status of the debtors, 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 allowances 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 allowances on these 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 cases where analysis of historic payment patterns indicates a different rate for particular categories of debtor.

Any additional allowances for doubtful accounts are charged to bad debts and doubtful accounts in profit or loss.

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

Bad debts recovery is recognised as income and is 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 2017) *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.

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

(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. Gains or losses on the sales of properties for sale are recognised as other operating income or expense upon disposal.

(h) *Equipment*

Recognition and measurement

Owned assets

Equipment is 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 equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

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

Subsequent costs

The cost of replacing a part of an item of 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 equipment are recognised in profit or loss as incurred.

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 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 in progress.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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.

No amortisation is provided on assets in progress.

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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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 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 periods 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 periods, 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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) Revenue

Interest income and discounts 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 charges

Fees and service charges are recognised as income on an accrual basis.

(n) Expenses

Finance costs

Interest expense is recognised as expenses in profit or loss on an accrual basis.

Operating leases

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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.

(o) 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 year.

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 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 year 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 period 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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 recognize 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.

(p) 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.

(q) Segment reporting

Segment results that are reported to the Company's CEO (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 derivative financial instruments 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 risks management at the target and acceptable level in accordance with the rules of the BoT and corporate governance.

Risk Management 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 commitment identified in financial instruments. 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.

The Company has disclosed significant concentrations of credit risk in note 9 to the financial statements.

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.

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

The Company has implemented credit risk management processes to measure and control credit risk. In 2017, 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 the value of a financial instrument will fluctuate due to changes in market interest rates and it 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.

As at 31 December 2018 and 2017, significant financial assets and liabilities classified by type of interest rate were as follows:

	2018			Total
	Floating interest rate	Fixed interest rate	Non - interest bearing	
	<i>(in Baht)</i>			
<i>Financial assets</i>				
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
<i>Financial liabilities</i>				
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

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

	Floating interest rate	2017 Fixed interest rate	Non - interest bearing	Total
		<i>(in Baht)</i>		
<i>Financial assets</i>				
Intercompany and money market items	49,487,314	980,000,000	107,938,571	1,137,425,885
Investments, net	-	2,079,750,515	50,669,840	2,130,420,355
Loans to customers*	4,378,069,212	437,459	-	4,378,506,671
Total	4,427,556,526	3,060,187,974	158,608,411	7,646,352,911
<i>Financial liabilities</i>				
Deposits	-	7,277,698,047	-	7,277,698,047
Intercompany and money market items	-	274,617,534	-	274,617,534
Total	-	7,552,315,581	-	7,552,315,581

* Excluding non-accrual loans

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

The financial assets and liabilities classified by the earlier of maturity or interest repricing as at 31 December 2018 and 2017 were as follows:

	Average rate (%)	2018				Non-interest bearing	Non-accrual	Total
		0-3 months	3-12 months	1-5 years	(in Baht)			
Financial assets								
Intercompany and money market items	1.14	687,824,770	-	-	135,268,282	-	823,093,052	
Investments, net	1.30	799,877,546	-	-	138,437,366	-	938,314,912	
Loans to customers	7.91	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	2.63	1,826,808,620	3,083,694,715	465,504,813	-	-	5,376,008,148	
Intercompany and money market items	3.01	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	
2017								
	Average rate (%)	0-3 months	3-12 months	1-5 years	Non-interest bearing	Non-accrual	Total	
Financial assets								
Intercompany and money market items	0.97	1,029,487,314	-	-	107,938,571	-	1,137,425,885	
Investments, net	1.22	1,999,702,593	80,047,922	-	50,669,840	-	2,130,420,355	
Loans to customers	8.26	4,378,098,283	89,527	318,861	-	1,284,798,331	5,663,305,002	
Accrued interest receivables	-	-	-	-	12,096,602	-	12,096,602	
Total		7,407,288,190	80,137,449	318,861	170,705,013	1,284,798,331	8,943,247,844	
Financial liabilities								
Deposits	2.83	1,365,542,932	3,448,164,741	2,463,990,374	-	-	7,277,698,047	
Intercompany and money market items	3.12	37,617,534	103,000,000	134,000,000	-	-	274,617,534	
Total		1,403,160,466	3,551,164,741	2,597,990,374	-	-	7,552,315,581	

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

2. Foreign exchange risk

Foreign exchange risk is the risk that occurs from changes in exchange rates 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 2018 and 2017, 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

5 Financial instruments

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 (unadjusted) 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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. There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2018.

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 for financial instruments measured at fair value. 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	Fair value Level 2	Total
		<i>(in Baht)</i>		
31 December 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 assets / Financial liabilities not measured at fair value</i>				
Debt securities held-to-maturity	799,877,546	-	799,877,546	799,877,546
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

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

	Carrying amount	Level 1	Fair value Level 2	Total
		<i>(in Baht)</i>		
31 December 2017				
<i>Financial assets measured at fair value</i>				
Equity securities available-for-sale	45,169,840	21,400,000	23,769,840	45,169,840
<i>Financial assets / Financial liabilities not measured at fair value</i>				
Debt securities held-to-maturity	2,079,750,515	-	2,081,499,286	2,081,499,286
Deposits	7,277,698,047	-	7,353,500,369	7,353,500,369
Intercompany and money market items	274,617,534	-	278,906,894	278,906,894

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

Available-for-sale and held-to-maturity 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 fair value of other debt securities is determined based on market value appraised by the reliable institution.
- The bidding prices at The Stock Exchange of Thailand on the last business day of the period 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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:

	2018	<i>(in Baht)</i>	2017	
Tier 1 capital				
Common Equity Tier 1 (CET1)				
Issued and paid-up share capital	1,250,000,000		1,000,000,000	
Legal reserve	24,052,568		20,432,516	
Net gain after appropriations	215,087,651		189,674,221	
Other components of equity	(5,207,787)		935,872	
Capital deduction items on CET1	(42,130,728)		(29,505,263)	
Total Tier 1 capital	<u>1,441,801,704</u>		<u>1,181,537,346</u>	
Tier 2 capital				
Allowance for classified assets of "normal" category	78,354,389		84,013,406	
Total Tier 2 capital	<u>78,354,389</u>		<u>84,013,406</u>	
Total capital funds	<u>1,520,156,093</u>		<u>1,265,550,752</u>	
Total risk weighted assets	<u>6,770,351,800</u>		<u>7,236,740,059</u>	
	The BoT's regulation minimum requirement*	2018	The BoT's regulation minimum requirement	2017
			(%)	
Total capital / Total risk-weighted assets	9.125	22.45	8.5	17.49
Total Tier 1 capital / Total risk-weighted assets	6.625	21.30	6.0	16.33
Total common equity tier 1 / Total risk-weighted assets	5.125	21.30	4.5	16.33
Total Tier 2 capital / Total risk-weighted assets	-	1.16	-	1.16

* 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 2018 and 2017, 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

7 Intercompany and money market items (assets)

As at 31 December 2018 and 2017, intercompany and money market items (assets) were classified as follows:

	Demand	2018 Time	Total	Demand	2017 Time	Total
	<i>(in Baht)</i>					
Domestic items:						
Bank of Thailand	73,315,190	600,000,000	673,315,190	79,348,923	980,000,000	1,059,348,923
Commercial banks	149,690,557	-	149,690,557	77,996,414	-	77,996,414
Total	223,005,747	600,000,000	823,005,747	157,345,337	980,000,000	1,137,345,337
Add accrued interest receivables	5,113	82,192	87,305	-	80,548	80,548
Total	223,010,860	600,082,192	823,093,052	157,345,337	980,080,548	1,137,425,885

8 Investments, net

8.1 Classification of investments in securities

As at 31 December 2018 and 2017, investments were classified as follows:

	2018 Fair value	2017 Fair value
	<i>(in Baht)</i>	
Available-for-sale investments		
Domestic marketable equity securities	132,937,366	45,169,840
Total	132,937,366	45,169,840
	2018 Cost/amortised cost	2017 Cost/amortised cost
	<i>(in Baht)</i>	
Held-to-maturity securities		
Government and state enterprise securities	799,877,546	2,029,736,288
Corporate debt securities	-	50,014,227
Total	799,877,546	2,079,750,515
	2018 Cost	2017 Cost
	<i>(in Baht)</i>	
General investments		
Domestic non-marketable equity securities	13,320,000	13,320,000
Less allowance for impairment	(7,820,000)	(7,820,000)
Total	5,500,000	5,500,000
Total investments, net	938,314,912	2,130,420,355

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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

As at 31 December 2018 and 2017, held-to-maturity securities can be classified by the remaining period to maturity as follows:

	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
	Within 1 year	2017 Maturity 1-5 years (in Baht)	Total
Held-to-maturity securities			
Government and			
state enterprise securities	2,029,736,288	-	2,029,736,288
Corporate debt securities	50,014,227	-	50,014,227
Total	2,079,750,515	-	2,079,750,515

8.3 Fair value changes in available-for-sale investments

Fair value changes in available-for-sale investments as at 31 December 2018 and 2017 were as follows:

	2018	2017
	(in Baht)	
Revaluation deficit on available-for-sale investments	(11,227,393)	(230,160)
Revaluation surplus on available-for-sale investments	4,717,659	1,400,000
Total	(6,509,734)	1,169,840
Deferred tax	1,301,947	(233,968)
Net	(5,207,787)	935,872

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

8.4 Movement of investments

Movement during the years ended 31 December 2018 and 2017 of investment were as follows:

	2018	2017
	<i>(in Baht)</i>	
Available-for-sale securities		
As at 1 January	45,169,840	148,430,028
Purchases during the year	120,000,000	-
Sales during the year	(24,552,900)	(106,108,722)
Valuation adjustment	(7,679,574)	2,848,534
As at 31 December	<u>132,937,366</u>	<u>45,169,840</u>
Held-to-maturity securities		
As at 1 January	2,079,750,515	1,479,802,651
Purchases during the year	28,154,000,000	36,063,000,000
Redemptions during the year	(29,434,000,000)	(35,463,000,000)
Discount	127,031	(52,136)
As at 31 December	<u>799,877,546</u>	<u>2,079,750,515</u>

8.5 Investments in companies with problems in their financial positions

As at 31 December 2018, 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 (2017: Baht 7.8 million).

9 Loans to customers and accrued interest receivables, net

9.1 Classified by product as at 31 December 2018 and 2017

	2018	2017
	<i>(in Baht)</i>	
Loans	5,399,133,554	5,663,305,002
Add accrued interest receivables	6,879,235	12,096,602
Total loans and accrued interest receivables	<u>5,406,012,789</u>	<u>5,675,401,604</u>
Less allowance for doubtful accounts		
- allowance established per BoT regulations		
- Individual Approach	(68,079,669)	(35,722,267)
- allowance established in excess of BoT regulations	(98,819,347)	(131,176,749)
Total	<u>5,239,113,773</u>	<u>5,508,502,588</u>

As at 31 December 2018, the Company had non-accrual loans, gross, based on the accrual basis of Baht 1,351 million (2017: Baht 1,285 million).

9.2 Classified by currencies and residential status of customers as at 31 December 2018 and 2017

As at 31 December 2018 and 2017, loans to customers were domestic and denominated entirely in Thai Baht.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

9.3 Classified by business type and quality of loan classification as at 31 December 2018 and 2017

	2018					Total*
	Normal	Special mention	Sub- standard	Doubtful (in Baht)	Doubtful of loss	
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	<u>3,978,463,127</u>	<u>67,790,701</u>	<u>10,199,886</u>	<u>174,564,937</u>	<u>1,168,114,903</u>	<u>5,399,133,554</u>

* Excluding accrued interest receivables

	2017					Total*
	Normal	Special mention	Sub- standard	Doubtful (in Baht)	Doubtful of loss	
Agriculture and mining	57,997,369	-	-	-	-	57,997,369
Manufacturing and commerce	1,023,719,655	-	-	102,369,460	40,000,000	1,166,089,115
Property development and construction	2,328,486,171	-	319,416,227	173,886,101	196,255,831	3,018,044,330
Infrastructure and services	411,357,783	-	169,398,582	246,206,444	-	826,962,809
Housing loans	468,150,268	9,455,791	9,580,386	8,009,215	42,939,435	538,135,095
Others	55,509,829	-	-	-	566,455	56,076,284
Total	<u>4,345,221,075</u>	<u>9,455,791</u>	<u>498,395,195</u>	<u>530,471,220</u>	<u>279,761,721</u>	<u>5,663,305,002</u>

* Excluding accrued interest receivables

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

9.4 Classified by loan classification as at 31 December 2018 and 2017 (inclusive of accrued interest receivables)

	2018			
	Loans and accrued interest receivables <i>(in Baht)</i>	Net amount used to set the allowance for doubtful accounts*	% used for setting the allowance <i>(%)</i>	Allowance for doubtful accounts <i>(in Baht)</i>
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	<u>5,406,012,789</u>	<u>367,306,026</u>		<u>68,079,669</u>
Allowance established in excess of BoT regulations				<u>98,819,347**</u>
Total				<u>166,899,016</u>

* 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.

	2017			
	Loans and accrued interest receivables <i>(in Baht)</i>	Net amount used to set the allowance for doubtful accounts*	% used for setting the allowance <i>(%)</i>	Allowance for doubtful accounts <i>(in Baht)</i>
Minimum allowance of BoT regulations				
- Normal	4,354,446,755	265,390,304	1	14,212,543
- Special mention	9,487,364	-	2	-
- Sub-standard	501,234,545	5,796,564	100	5,796,564
- Doubtful	530,471,220	1,512,473	100	1,512,473
- Doubtful of loss	279,761,720	14,200,687	100	14,200,687
Total	<u>5,675,401,604</u>	<u>286,900,028</u>		<u>35,722,267</u>
Allowance established in excess of BoT regulations				<u>131,176,749**</u>
Total				<u>166,899,016</u>

* 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.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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

As at 31 December 2018 and 2017 the Company's non-performing loans, gross, were summarised as follows:

	2018	2017
Non-performing loans - gross (<i>in Baht</i>)	1,352,879,727	1,308,628,136
Total loans including loans to financial institutions (<i>in Baht</i>)	5,399,133,554	5,663,305,002
Ratio of NPL gross	25.06	23.11

As at 31 December 2018 and 2017 the Company's non-performing loans, net, were summarised as follows:

	2018	2017
Non-performing loans - net (<i>in Baht</i>)	1,287,822,546	1,287,118,412
Total loans including loans to financial institutions, net of allowances for doubtful accounts of NPL (<i>in Baht</i>)	5,334,076,373	5,641,795,278
Ratio of NPL net	24.14	22.81

10 Troubled debt restructuring

During the years ended 31 December 2018 and 2017, there was no loss from troubled debt restructuring.

As at 31 December 2018 and 2017, 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 2018

11 Classified assets

The Company had classified assets as at 31 December 2018 and 2017 as follows:

	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

	2017			
	Loans and accrued interest receivables	Investments (in Baht)	Properties for sale	Total
Normal	4,354,446,755	-	-	4,354,446,755
Special mention	9,487,364	-	-	9,487,364
Sub-standard	501,234,545	-	-	501,234,545
Doubtful	530,471,220	-	-	530,471,220
Doubtful of loss	279,761,720	7,820,000	184,873	287,766,593
Total	5,675,401,604	7,820,000	184,873	5,683,406,477

12 Allowance for doubtful accounts

As at 31 December 2018 and 2017, the changes to the allowance for doubtful accounts were as follows:

	2018						Total
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	
As at 1 January 2018	14,212,543	-	5,796,564	1,512,473	14,200,687	131,176,749	166,899,016
Doubtful accounts	(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>

	2017						Total
	Normal	Special mention	Sub-standard	Doubtful	Doubtful of loss	Allowance established in excess of BoT regulations	
As at 1 January 2017	13,713,156	-	4,838,941	-	10,492,481	93,204,459	122,249,037
Doubtful accounts	499,387	-	957,623	1,512,473	3,708,206	37,972,290	44,649,979
As at 31 December 2017	<u>14,212,543</u>	<u>-</u>	<u>5,796,564</u>	<u>1,512,473</u>	<u>14,200,687</u>	<u>131,176,749</u>	<u>166,899,016</u>

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

13 Properties for sale, net

As at 31 December 2018 and 2017, the changes to the properties for sale, net were as follows:

	Beginning balance	2018		Ending balance
		Additions <i>(in Baht)</i>	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
	Beginning balance	2017		Ending balance
		Additions <i>(in Baht)</i>	Disposals	
Foreclosed assets				
Immovable assets				
- Appraised value by external appraisals	63,838,939	11,597,181	-	75,436,120
Total properties for sale	63,838,939	11,597,181	-	75,436,120
Less allowance for impairment	(184,873)	-	-	(184,873)
Total properties for sale, net	63,654,066	11,597,181	-	75,251,247

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

14 Equipment, net

As at 31 December 2018 and 2017, the changes to the equipment, net were as follows:

	Leasehold improvement	Computer and equipment	Furniture and fixtures (in Baht)	Vehicles	Total
<i>Cost</i>					
At 1 January 2017	19,732,436	15,290,084	96,953	17,268,860	52,388,333
Additions	632,916	4,383,299	11,561	3,282,000	8,309,776
Disposals	(31,580)	(2,098,071)	-	(1,229,000)	(3,358,651)
At 31 December 2017 and 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	20,379,832	19,203,944	108,514	19,321,860	59,014,150
<i>Accumulated depreciation</i>					
At 1 January 2017	12,698,113	13,148,530	59,060	11,951,158	37,856,861
Depreciation charge for the year	2,197,740	987,639	9,661	2,254,572	5,449,612
Disposals	(31,580)	(2,098,061)	-	(1,228,999)	(3,358,640)
At 31 December 2017 and 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	16,934,496	13,581,031	79,193	15,132,725	45,727,445
<i>Net book value</i>					
At 1 January 2017	7,034,323	2,141,554	37,893	5,317,702	14,531,472
At 31 December 2017 and 1 January 2018	5,469,499	5,537,204	39,793	6,345,129	17,391,625
At 31 December 2018	3,445,336	5,622,913	29,321	4,189,135	13,286,705

Depreciation for the year ended 31 December 2018 in the amount of Baht 6.0 million (2017: Baht 5.4 million) was included in premises and equipment expenses in profit or loss.

The gross amount of the Company's fully depreciated equipment that was still in use as at 31 December 2018 amounted to Baht 28.3 million (2017: Baht 27.8 million).

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

15 Intangible assets, net

As at 31 December 2018 and 2017, the changes to the intangible assets, net were as follows:

	Software licenses	Intangible assets in progress (in Baht)	Total
<i>Cost</i>			
At 1 January 2017	9,574,712	-	9,574,712
Additions	916,321	24,493,455	25,409,776
At 31 December 2017 and 1 January 2018	10,491,033	24,493,455	34,984,488
Additions	219,336	7,309,805	7,529,141
Transfer	8,243,712	(8,243,712)	-
Adjustments	-	(1,395,706)	(1,395,706)
At 31 December 2018	18,954,081	22,163,842	41,117,923
<i>Accumulated amortisation</i>			
At 1 January 2017	8,584,740	-	8,584,740
Amortisation charge for the year	382,734	-	382,734
At 31 December 2017 and 1 January 2018	8,967,474	-	8,967,474
Amortisation charge for the year	2,021,873	-	2,021,873
At 31 December 2018	10,989,347	-	10,989,347
<i>Net book value</i>			
At 1 January 2017	989,972	-	989,972
At 31 December 2017 and 1 January 2018	1,523,559	24,493,455	26,017,014
At 31 December 2018	7,964,734	22,163,842	30,128,576

Amortisation for the year ended 31 December 2018 in the amount of Baht 2.0 million (2017: Baht 382,734) was included in premises and equipment expenses in profit or loss.

The gross amount of the Company's fully amortisation intangible assets that was still in use as at 31 December 2018 amounted to Baht 8.5 million (2017: Baht 8.4 million)

16 Deferred tax assets

Deferred tax assets and liabilities as at 31 December 2018 and 2017 were as follows:

	2018	2017
	(in Baht)	
Deferred tax assets	12,002,152	8,930,489
Deferred tax liabilities	-	(238,837)
Net	12,002,152	8,691,652

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

Movements in total deferred tax assets and liabilities during the years ended 31 December 2018 and 2017 were as follows:

	At 1 January 2018	(Charged) / Credited to:		At 31 December 2018
		Profit or loss (Note 34) (in Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
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	3,523,709	932,701	603,047	5,059,457
Total	8,930,489	932,701	2,138,962	12,002,152
<i>Deferred tax liabilities</i>				
Defined benefit plan actuarial losses	(238,837)	-	238,837	-
Total	(238,837)	-	238,837	-
Net	8,691,652	932,701	2,377,799	12,002,152
	At 1 January 2017	(Charged) / Credited to:		At 31 December 2017
		Profit or loss (Note 34) (in Baht)	Other comprehensive income	
<i>Deferred tax assets</i>				
Allowance for impairment of general investment	1,564,000	-	-	1,564,000
Gains (losses) on remeasurement available-for-sale investments	335,739	-	(569,707)	(233,968)
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	3,125,755	397,954	-	3,523,709
Total	9,102,242	397,954	(569,707)	8,930,489
<i>Deferred tax liabilities</i>				
Defined benefit plan actuarial losses	(238,837)	-	-	(238,837)
Total	(238,837)	-	-	(238,837)
Net	8,863,405	397,954	(569,707)	8,691,652

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

17 Other assets, net

As at 31 December 2018 and 2017, other assets, net were as follows:

	2018	2017
	<i>(in Baht)</i>	
Deposits	2,595,091	2,560,374
Prepaid income tax	1,957,234	1,957,234
Prepaid expenses	1,125,349	1,263,120
Accrued interest receivables	-	423,392
Other receivables	1,055,570	519,300
Others	5,849,106	2,947,905
	<u>12,582,350</u>	<u>9,671,325</u>
Less allowance for impairment	<u>(4,637,402)</u>	<u>(1,619,632)</u>
Total	<u>7,944,948</u>	<u>8,051,693</u>

18 Deposits

18.1 Classified by product as at 31 December 2018 and 2017

	2018	2017
	<i>(in Baht)</i>	
Certificates of deposit	5,376,008,148	7,277,698,047
Total	<u>5,376,008,148</u>	<u>7,277,698,047</u>

18.2 Classified by currency and residence of customer as at 31 December 2018 and 2017

As at 31 December 2018 and 2017, the Company's deposits were domestic and denominated entirely in Thai Baht.

19 Intercompany and money market items (liabilities)

As at 31 December 2018 and 2017, intercompany and money market items (liabilities) were as follows:

	2018			2017		
	Demand	Time	Total	Demand	Time	Total
	<i>(in Baht)</i>					
Domestic items:						
Other financial institutions	-	185,237,336	185,237,336	-	274,617,534	274,617,534
Total domestic items	<u>-</u>	<u>185,237,336</u>	<u>185,237,336</u>	<u>-</u>	<u>274,617,534</u>	<u>274,617,534</u>

20 Provisions for employee benefits

As at 31 December 2018 and 2017, provisions for employee benefits were as follows:

	2018	2017
	<i>(in Baht)</i>	
Provisions for post-employment benefits	25,297,293	16,424,363
Total	<u>25,297,293</u>	<u>16,424,363</u>

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

Movement in the present value of defined benefit obligations.

	2018	2017
	<i>(in Baht)</i>	
At 1 January	16,424,363	14,434,597
Include in profit or loss:		
Current service cost	4,230,384	1,667,802
Interest on obligation	433,121	321,964
	<u>4,663,505</u>	<u>1,989,766</u>
Include in other comprehensive income		
Actuarial loss	4,209,425	-
	<u>4,209,425</u>	<u>-</u>
At 31 December	<u><u>25,297,293</u></u>	<u><u>16,424,363</u></u>

Actuarial losses recognised in other comprehensive income arising from:

	2018	2017
	<i>(in Baht)</i>	
Demographic assumptions	250,297	-
Financial assumptions	446,031	-
Experience adjustment	3,513,097	-
Total	<u><u>4,209,425</u></u>	<u><u>-</u></u>

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	2018	2017
	<i>(%)</i>	
Discount rate	2.5	2.8
Future salary growth	4-8	4-8
Long-term inflation rate	2.5	3.0

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

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the provisions for employee benefits by the amounts shown below.

	Increase	Decrease
	<i>(in Baht)</i>	
At 31 December 2018		
Discount rate (1% movement)	(1,366,106)	1,524,105
Future salary growth (1% movement)	1,734,844	(1,582,615)
Future mortality (1% movement)	38,383	(41,269)
Turnover rate (20% movement)	(758,481)	844,253

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

	Increase	Decrease
	<i>(in Baht)</i>	
At 31 December 2017		
Discount rate (1% movement)	(1,337,939)	1,497,278
Future salary growth (1% movement)	1,452,572	(1,325,731)
Future mortality (1% movement)	32,301	(34,701)
Turnover rate (20% movement)	(653,200)	724,100

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

On 13 December 2018, the National Legislative Assembly passed a bill amending the Labor Protection Act 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 will amend its retirement plan in the period in which the amendment will have become law and is announced in the Royal Gazette. As a result of this change, the provision for retirement benefits as at that future period end as well as past service cost recognized during that period in the financial statements is estimated to increase by an amount of approximately Baht 4.0 million.

21 Other liabilities

As at 31 December 2018 and 2017, other liabilities were as follows:

	2018	2017
	<i>(in Baht)</i>	
Accrued expenses	6,198,491	3,307,377
Other payables	3,182,889	1,239,934
Withholding tax payable	2,195,149	7,171,078
Specific business tax and value added tax payable	1,031,566	1,263,477
Payable from Legal Executive Department	199,185	272,845
Others	274,899	1,464,214
Total	<u>13,082,179</u>	<u>14,718,925</u>

22 Share capital

As at 31 December 2018 and 2017, share capital were as follows:

	Par value per share <i>(in Baht)</i>	2018 Number <i>(shares / Baht)</i>		Amount	Par value per share <i>(in Baht)</i>	2017 Number <i>(shares / Baht)</i>		Amount
<i>Authorised</i>								
At 1 January								
- ordinary shares	1	1,350,000,000		1,350,000,000	1	1,350,000,000		1,350,000,000
Reduction of shares	1	(350,000,000)		(350,000,000)	1	-		-
Issue of new shares	1	250,000,000		250,000,000	1	-		-
At 31 December								
- ordinary shares	1	<u>1,250,000,000</u>		<u>1,250,000,000</u>	1	<u>1,350,000,000</u>		<u>1,350,000,000</u>
<i>Issued and paid-up</i>								
At 1 January								
- ordinary shares	1	1,000,000,000		1,000,000,000	1	1,000,000,000		1,000,000,000
Issue of new shares	1	250,000,000		250,000,000	1	-		-
At 31 December								
- ordinary shares	1	<u>1,250,000,000</u>		<u>1,250,000,000</u>	1	<u>1,000,000,000</u>		<u>1,000,000,000</u>

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

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.

23 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.

24 Dividends

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 0.040 per share, amounting to Baht 40 million. The dividend was paid to shareholders on 10 April 2018.

At the annual general meeting of the shareholders of the Company held on 29 March 2017, the shareholders approved the appropriation of dividend of Baht 0.057 per share, amounting to Baht 57 million. The dividend was paid to shareholders on 7 April 2017.

25 Contingencies

As at 31 December 2018 and 2017, contingencies were as follows:

	2018	2017
	<i>(in Baht)</i>	
Other contingencies		
- Other guarantee	40,994,889	40,994,889
- Committed line	444,950,511	900,514,404
Total	485,945,400	941,509,293

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

26 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company is subject to common control or common significant influence. Related parties include major shareholders (10% shareholding), directors of major shareholders and close members of their families. Related party may be individuals or other entities.

Relationship with key management personnel was as follows:

Director is a person who has position as an executive of the Company and director who has no position in executive level of the Company.

Key management personnel is person having authority and responsibility for planning, directing and controlling all activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company and executive of the Company.

Executive of the Company is the executive officers at the level of departmental manager or vice president upwards including other position that is equivalent to the Company shall have the power to manage some or all.

Directors of the Company have the ability, directly or indirectly, to control or joint control or exercise significant influence over the Company or the Companies have relationship with the directors of the major shareholders and close members of their families, and the following entities:

- Brooker Planner Co., Ltd.
- Brooker Business Development Co., Ltd.
- The Brooker Group PCL
- Banchang Group PCL
- MCL Assets Limited
- Century Pattaya Co., Ltd.
- Jaturus Project Co., Ltd.
- MCL Property Co., Ltd.
- KMT Assets Co., Ltd.
- CAG Property Co., Ltd.
- M.C.L. Co., Ltd.
- MCL Real Estate Co., Ltd.
- Thoresen Thai Agencies PCL
- Thai Sugar Millers Corporation Limited
- Solartron PCL
- TTW PCL
- Don Muang Tollway PCL
- Automation and Technology Services Co., Ltd.
- Seamico Securities PCL
- PHM International PCL
- Apollo (Thailand) Co., Ltd.
- MFC Asset Management PCL
- Thai Oil PCL
- IFS Capital (Thailand) PCL
- IFS Capital Holdings (Thailand) Co., Ltd.
- KTM Capital Land Co., Ltd.

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

Directors of the Company have the ability, directly or indirectly, to control or joint control or exercise significant influence over the Company or the Companies have relationship with the directors of the major shareholders and close members of their families until 31 May 2018, and the following entities:

- Seranee Holding Co., Ltd.
- Seranee Home Co., Ltd.
- Seranee Factoring Co., Ltd.
- Seranee and Associates Co., Ltd.
- Palm Hills Home Co., Ltd.
- Tranquilista Co., Ltd.
- Taak Interior and Architect Co., Ltd.
- Eastern Power Group 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.

Other benefits paid to executive directors and key management personnel:

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.

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Short-term employee benefits	59,907,576	67,715,316
Post-employment benefits	3,765,662	1,236,572
Total	63,673,238	68,951,888

Significant transactions for the years ended 31 December 2018 and 2017 with key management personnel and related parties were as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Key management personnel		
Interest expense	321,907	379,905
Related parties		
Interest income	643,422	786,012
Interest expense	382,523	1,106,835

Significant balances with key management personnel and related parties as at 31 December 2018 and 2017 were as follows:

	2018	2017
	<i>(in Baht)</i>	
Key management personnel		
Deposits	6,571,408	10,749,359
Accrued interest payable	53,132	106,458
Related parties		
Loans to customers	8,043,722	10,158,678
Accrued interest receivables	6,171	7,793
Deposits	23,289,155	29,923,845
Accrued interest payable	2,701	17,097

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

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

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Directors' remuneration	5,000,000	3,400,000
Total	<u>5,000,000</u>	<u>3,400,000</u>

27 Operating leases

Leases as lessee

The Company leases the building area and office equipment under operating leases. The leases typically run for a period of 3 years and 4 years, respectively, with an option to renew the lease after that date. Lease payments are renegotiated every 3 years and 4 years, respectively 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.

(a) Future minimum lease payments

As at 31 December 2018 and 2017, the future minimum lease payments under non-cancellable leases were payable as follows.

	2018	2017
	<i>(in Baht)</i>	
Within one year	8,835,622	8,879,028
After one year but within five years	8,864,856	14,944,622
Total	<u>17,700,478</u>	<u>23,823,650</u>

(b) Amount recognised in profit or loss

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Lease expense	3,125,802	3,108,896
Total	<u>3,125,802</u>	<u>3,108,896</u>

Advance Finance Public Company Limited

Notes to the financial statements

For the year ended 31 December 2018

28 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 the Kingdom of 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.

29 Interest income

Interest income included in profit or loss for the years ended 31 December 2018 and 2017 was as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Intercompany and money market items	8,834,638	11,292,391
Investment in debt securities	13,388,128	20,099,948
Loans	365,777,226	491,629,837
Total	<u>387,999,992</u>	<u>523,022,176</u>

30 Interest expense

Interest expense included in profit or loss for the years ended 31 December 2018 and 2017 was as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Deposits	165,691,921	218,891,409
Intercompany and money market items	7,133,017	10,512,359
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency	28,937,867	37,232,886
Total	<u>201,762,805</u>	<u>266,636,654</u>

31 Fees and service income

Fees and service income included in profit or loss for the years ended 31 December 2018 and 2017 was as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Acceptances, avals and guarantees	686,606	998,811
Financial consulting fee	15,692,500	21,955,293
Fees on loans	5,457,033	6,538,206
Total	<u>21,836,139</u>	<u>29,492,310</u>

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

32 Net gain on investments

Net gain on investments included in profit or loss for the year ended 31 December 2018 and 2017 were as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht)</i>	
Gain on sales		
- Available for sale securities	837,120	3,096,153
Total	<u>837,120</u>	<u>3,096,153</u>

33 Bad debt, doubtful accounts and loss on impairment

Bad debt, doubtful accounts and loss on impairment included in profit or loss for the years ended 31 December 2018 and 2017 was as follows:

<i>For the year ended 31 December</i>	Note	2018	2017
		<i>(in Baht)</i>	
Loans to customers			
- Bad debt recovery		(1,144,394)	(2,268,962)
- Doubtful accounts	12	-	44,649,979
Total		<u>(1,144,394)</u>	<u>42,381,017</u>

34 Income tax expense

Income tax recognised in profit or loss

<i>For the year ended 31 December</i>	Note	2018	2017
		<i>(in Baht)</i>	
Current tax expense			
Current year		9,670,642	17,705,227
		<u>9,670,642</u>	<u>17,705,227</u>
Deferred tax expense			
Movements in temporary differences	16	(932,701)	(397,954)
		<u>(932,701)</u>	<u>(397,954)</u>
Total income tax expense		<u>8,737,941</u>	<u>17,307,273</u>

Income tax recognised in other comprehensive income

	Before tax	2018 Tax expense	Net of tax	Before tax	2017 Tax expense	Net of tax
			<i>(in Baht)</i>			
Available-for-sale investments	(7,679,574)	1,535,915	(6,143,659)	2,848,534	(569,707)	2,278,827
Defined benefit plans	(4,209,425)	841,885	(3,367,540)	-	-	-
Total	<u>(11,888,999)</u>	<u>2,377,800</u>	<u>(9,511,199)</u>	<u>2,848,534</u>	<u>(569,707)</u>	<u>2,278,827</u>

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

Reconciliation of effective tax rate

<i>For the year ended 31 December</i>	2018		2017	
	Rate (%)	(in Baht)	Rate (%)	(in Baht)
Profit before income tax expense		<u>44,815,641</u>		<u>89,708,296</u>
Income tax using the Thai Corporation tax rate	20	8,963,128	20	17,941,659
Income not subject to tax		(399,354)		(816,482)
Expense not deductible for tax purposes		<u>174,167</u>		<u>182,096</u>
Total	<u>19</u>	<u>8,737,941</u>	<u>19</u>	<u>17,307,273</u>

Income tax reduction

Revenue Code Amendment Act No. 42 B.E. 2559 dated 3 March 2016 grants a reduction of the corporate income tax rate to 20% of net taxable profit for accounting periods which begin on or after 1 January 2016.

35 Basic earnings per share

The calculations of basic earnings per share for the years ended 31 December 2018 and 2017 were based on the profit for the years attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the years as follows:

<i>For the year ended 31 December</i>	2018	2017
	<i>(in Baht / in shares)</i>	
Profit attributable to ordinary shareholders of the Company (basic)	<u>36,077,700</u>	<u>72,401,023</u>
Number of ordinary shares outstanding at 1 January	1,000,000,000	1,000,000,000
Effect of shares issued on 25 May 2018	150,684,932	-
Weighted average number of ordinary shares outstanding	<u>1,150,684,932</u>	<u>1,000,000,000</u>
Basic earnings per share (basic)	<u>0.03</u>	<u>0.07</u>

36 Events after the reporting period

The Board of Director's meeting No. 1/2019 held on 27 February 2019 unanimously approved the resolution to present to the annual general meeting of the shareholders of the Company held on 24 April 2019 for the appropriation of dividend of Baht 0.02 per share, amounting to Baht 25 million.

Advance Finance Public Company Limited
Notes to the financial statements
For the year ended 31 December 2018

37 Reclassification of accounts

Certain accounts in the 2017 financial statements have been reclassified to conform to the presentation in the 2018 financial statements. These reclassifications have principally been made following the Notification of the Bank of Thailand (BoT) notification number Sor Nor Sor 22/2558, dated 4 December 2015 Re: "Preparation and Announcement of Financial Statements of a Finance Company and a Credit Foncier Company". Other significant reclassifications were as follows:

	Before reclassification	Reclassification <i>(in Baht)</i>	After reclassification
<i>Statements of comprehensive income for the year ended 31 December 2017</i>			
<i>Revenue</i>			
Interest income	517,752,176	5,270,000	523,022,176
Fee and service income	34,762,310	<u>(5,270,000)</u>	29,492,310
		<u>-</u>	
<i>Statements of cash flows for the year ended 31 December 2017</i>			
<i>Operating activities</i>			
Net interest income	(251,115,522)	(5,270,000)	(256,385,522)
Proceeds from interest	509,216,825	<u>5,270,000</u>	514,486,825
		<u>-</u>	