

Capital Nomura Securities Public Company Limited
Report and financial statements
31 December 2018

Independent Auditor's Report

To the Shareholders of Capital Nomura Securities Public Company Limited

Report on Audit of Financial Statements

Opinion

I have audited the accompanying financial statements of Capital Nomura Securities Public Company Limited, which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Nomura Securities Public Company Limited as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Key audit matters and how audit procedures responded to each matter are described below.

1. Recognition of brokerage fees and interest on margin loans

The Company's income mainly consisted of brokerage fees and interest on margin loans, amounting to Baht 731 million and Baht 367 million, respectively, representing 46 percent and 23 percent of the Company's total revenue. The Company charges brokerage fees at variable percentages of trading volume, based on the type of customer and their trading volume, whereas interest on margin loans is charged at rates that are adjusted periodically based on market conditions. Because the size and volume of transactions, the number of customers and the fees charged to customers depend on various factors, and the recognition of revenue from brokerage fees and interest on margin loans relies primarily on data processing by information systems, I addressed the correct measurement and occurrence of brokerage fees and interest on margin loans as a key audit matter.

Key audit procedures I performed were as follows. Assessed, and tested on a sample basis, the Company's internal controls relevant to the recognition of brokerage fees and interest on margin loans, including information and technology system controls relevant to the calculation of brokerage fees and interest on margin loans. I also tested, on a sample basis, the brokerage fee rates, interest rates, calculation and account recording. In addition, I performed substantive analytical procedures relating to the brokerage fees and interest on margin loans.

2. Allowance for doubtful accounts for securities and derivatives business receivables

As discussed in Note 4.8 to the financial statements, the allowance for doubtful accounts for securities and derivatives business receivables is determined through consideration of the status of accounts receivables and the value of the collateral. The estimation of the allowance for doubtful accounts for securities and derivatives business receivables is significant because the significance of the amount of the receivables to the Company's financial statements, with securities and derivatives business receivables amounting to Baht 8,348 million as at 31 December 2018, representing 84 percent of the Company's total assets. Therefore, I addressed the adequacy of the allowance for doubtful accounts for such receivables as a key audit matter.

Key audit procedures I performed were as follows:

- Assessed, and tested on a sample basis, the Company's internal controls relevant to the status of account receivables, calculation of collateral value, calculation of allowance for doubtful debts and the recording of allowance for doubtful accounts. I also assessed the Company's method applied to the determination and calculation of the allowance, and compared the Company's policy with regulatory requirements and tested certain controls over the IT systems relevant to the calculation of the collateral value and revaluation adjustments of the fair value of collateral.
- Examined the allowance for doubtful accounts as at the period-end date by testing the status of outstanding debts, valuation of collateral, debt collection made after the period-end date and the calculation of the allowance.

Other Information

Management is responsible for the other information. The other information comprise the information included in annual report of the Company, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do 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 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

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

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



Ratana Jala

Certified Public Accountant (Thailand) No. 3734

EY Office Limited

Bangkok: 22 February 2019

Capital Nomura Securities Public Company Limited

Statements of financial position

As at 31 December 2018

		(Unit: Baht)	
	Note	2018	2017
Assets			
Cash and cash equivalents	6	388,056,406	280,286,527
Receivables from Clearing House and broker-dealers	7	29,377,403	778,929,544
Securities and derivatives business receivables	8	8,347,760,863	10,701,902,950
Investments	10	702,610,769	624,254,089
Premises and equipment	11	88,899,381	115,390,413
Intangible assets	12	26,520,898	12,927,428
Deferred tax assets	13	83,881,699	72,761,438
Other assets	14	285,106,411	279,708,424
Total assets		<u>9,952,213,830</u>	<u>12,866,160,813</u>

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

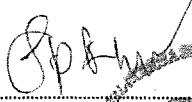

Capital Nomura Securities Public Company Limited

Statements of financial position (Continued)

As at 31 December 2018

		(Unit: Baht)	
	Note	2018	2017
Liabilities and equity			
Liabilities			
Borrowings from financial institutions	15	1,250,000,000	3,800,000,000
Payables to Clearing House and broker-dealers	16	478,196,476	642,983,634
Securities and derivatives business payables	17	2,157,293,769	2,376,692,900
Corporate income tax payables		37,867,940	53,217,273
Debt issued and other borrowings	18	299,532,046	-
Provisions for long-term employee benefits	19	97,412,287	100,043,281
Other liabilities	20	321,648,018	318,085,120
Total liabilities		4,641,950,536	7,291,022,208
Equity			
Share capital - Registered, issued and paid-up			
2,150,469,000 ordinary shares of Baht 1 each		2,150,469,000	2,150,469,000
Premium on share capital and treasury stock		2,133,320,850	2,133,320,850
Retained earnings			
Appropriated - statutory reserve	21	187,700,000	178,800,000
- general reserve		215,000,000	215,000,000
Unappropriated		623,773,444	897,521,441
Other components of equity - revaluation surplus			
on investments	10.3	-	27,314
Total equity		5,310,263,294	5,575,138,605
Total liabilities and equity		9,952,213,830	12,866,160,813

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



 Directors

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Capital Nomura Securities Public Company Limited

Statement of comprehensive income

For the year ended 31 December 2018

(Unit: Baht)

	Note	2018	2017
Profit or loss:			
Revenue			
Brokerage fees	23	730,825,750	812,777,363
Fees and service income	24, 29	385,962,691	428,600,278
Interest on margin loans		367,035,287	363,877,762
Gain and return on financial instruments	25	88,116,411	240,270,046
Other income		12,682,996	6,831,994
Total revenue		<u>1,584,623,135</u>	<u>1,852,357,443</u>
Expenses			
Personnel expenses		651,483,597	641,971,421
Fees and services expenses		203,289,539	263,592,804
Financial costs		88,763,445	82,088,345
Bad debt and doubtful accounts		106,221,776	635,344
Other expenses		317,115,233	273,720,676
Total expenses		<u>1,366,873,590</u>	<u>1,262,008,590</u>
Profit before income tax		<u>217,749,545</u>	<u>590,348,853</u>
Income tax	13	(40,232,276)	(114,909,515)
Profit for the year		<u>177,517,269</u>	<u>475,439,338</u>

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

Capital Nomura Securities Public Company Limited

Statement of comprehensive income (continued)

For the year ended 31 December 2018

(Unit: Baht)

	Note	2018	2017
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain (loss) on change in value of available-for-sale investments		(34,143)	1,898,914
Income tax relating to gain (loss) on change in value of available-for-sale investments	13	6,829	(379,783)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(27,314)	1,519,131
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial Gain	19	11,541,530	-
Income tax relating to actuarial gain	13	(2,308,306)	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		9,233,224	-
Total comprehensive income for the year		9,205,910	1,519,131
Total comprehensive income for the year		186,723,179	476,958,469
Basic earnings per share			
Profit for the year	27	0.08	0.22

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

Capital Nomura Securities Public Company Limited

Statement of changes in equity

For the year ended 31 December 2018

	(Unit: Baht)							
	Issued and paid-up share capital	Premium on share capital and treasury stock	Retained earnings			Unappropriated	Other components	
			Appropriated		revaluation surplus (deficit)		on investments	
			Statutory reserve	General reserve				
Balance - as at 1 January 2017	2,150,469,000	2,133,320,850	155,000,000	215,000,000	832,966,523	(1,491,817)	5,485,264,556	
Profit for the year	-	-	-	-	475,439,338	-	475,439,338	
Other comprehensive income (loss) for the year	-	-	-	-	-	1,519,131	1,519,131	
Total comprehensive income for the year	-	-	-	-	475,439,338	1,519,131	476,958,469	
Dividend paid (Note 28)	-	-	-	-	(387,084,420)	-	(387,084,420)	
Statutory reserve (Note 21)	-	-	23,800,000	-	(23,800,000)	-	-	
Balance - as at 31 December 2017	2,150,469,000	2,133,320,850	178,800,000	215,000,000	897,521,441	27,314	5,575,138,605	
Balance - as at 1 January 2018	2,150,469,000	2,133,320,850	178,800,000	215,000,000	897,521,441	27,314	5,575,138,605	
Profit for the year	-	-	-	-	177,517,269	-	177,517,269	
Other comprehensive income (loss) for the year	-	-	-	-	9,233,224	(27,314)	9,205,910	
Total comprehensive income for the year	-	-	-	-	186,750,493	(27,314)	186,723,179	
Dividend paid (Note 28)	-	-	-	-	(451,598,490)	-	(451,598,490)	
Statutory reserve (Note 21)	-	-	8,900,000	-	(8,900,000)	-	-	
Balance - as at 31 December 2018	2,150,469,000	2,133,320,850	187,700,000	215,000,000	623,773,444	-	5,310,263,294	

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

Capital Nomura Securities Public Company Limited

Statement of cash flows

For the year ended 31 December 2018

	(Unit: Baht)	
	2018	2017
Cash flows from operating activities		
Profit before income tax	217,749,545	590,348,853
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	50,653,398	47,302,021
Doubtful accounts	106,221,776	635,344
(Gain) loss on revaluation of investments	20,163,804	(15,339,630)
Gain on disposal securities	(50,735)	(135,287,644)
Loss on disposal and written-off equipment	189,635	385,835
(Gain) loss on revaluation of derivatives/exchange rate	(14,019,958)	7,996,507
Financial costs	88,763,445	82,088,345
Interest and dividend income	(65,352,871)	(57,556,281)
Interest income from margin loans	(367,035,287)	(363,877,762)
Others interest income	(1,238,294)	(1,345,223)
Long-term employee benefits	8,910,536	8,569,875
Income from operating activities before changes in operating assets and liabilities	44,954,994	163,920,240
Operating assets (increase) decrease		
Receivables from Clearing House and broker-dealers	763,572,098	(318,429,067)
Securities and derivatives business receivables	2,237,826,389	(1,882,276,947)
Trading securities	(13,741,485)	(525,682,210)
Other assets	651,185	(73,401,308)
Operating liabilities increase (decrease)		
Borrowings from financial institutions	(2,550,000,000)	1,750,000,000
Payables to Clearing House and broker-dealers	(164,787,158)	572,146,390
Securities and derivatives business payables	(217,977,078)	83,026,464
Borrowings	299,532,046	-
Provision for long-term employee benefits	-	(594,735)
Other liabilities	10,738,468	51,541,034
Cash received from (paid for) operating activities	410,769,459	(179,750,139)

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

Capital Nomura Securities Public Company Limited

Statement of cash flows (Continued)

For the year ended 31 December 2018

	(Unit: Baht)	
	2018	2017
Cash received from dividend	14,000,020	2,306,040
Cash paid for interest expenses (included other financial costs)	(96,028,066)	(83,086,444)
Cash received from interest	5,678,323	15,449,138
Cash received from interest on margin loans	377,127,713	359,101,819
Cash received from other interest	1,063,275	1,149,054
Cash paid for income tax	(69,003,348)	(135,745,007)
Net cash from (used in) operating activities	643,607,376	(20,575,539)
Cash flows from investing activities		
Cash paid for purchase of available-for-sale securities	-	(6,432,575)
Cash received from disposal of available-for-sale securities	1,582,615	105,994,233
Net cash received (paid) from held-to maturity debt securities	(84,730,707)	2,750,050
Cash paid for purchase of other investment	(256,800)	-
Cash received from disposal of other investment	-	136,766,631
Cash paid for acquisition of equipment	(19,796,025)	(27,988,162)
Cash received from sales of equipment	196,168	35,327
Cash paid for acquisition of intangible assets	(16,720,487)	(3,893,735)
Cash received from interest	35,135,078	42,066,725
Cash received from dividend	351,151	691,551
Net cash from (used in) investing activities	(84,239,007)	249,990,045
Cash flows from financing activities		
Dividends paid	(451,598,490)	(387,084,420)
Net cash used in financing activities	(451,598,490)	(387,084,420)
Net increase (decrease) in cash and cash equivalents	107,769,879	(157,669,914)
Cash and cash equivalents at the beginning of the year	280,286,527	437,956,441
Cash and cash equivalents at the end of the year	388,056,406	280,286,527

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

Capital Nomura Securities Public Company Limited

Notes to financial statements

For the year ended 31 December 2018

1. General information

Capital Nomura Securities Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. Its parent company is Nomura Asia Investment (Singapore) Pte. Ltd., which was incorporated in Singapore. The ultimate parent company of the Group is Nomura Holdings, Inc. The Company is principally engaged in the securities and derivatives with business of securities brokerage, derivatives brokerage, selling agent, securities dealing, securities borrowing and lending services, investment and financial advisory and securities underwriting.

The registered office of the Company is at 25 Bangkok Insurance Building, 15th - 17th Floor, South Sathorn Road, Tungmahamak, Sathorn, Bangkok. As at 31 December 2018, the Company has 16 branches including a headquarter, 15 branches in Bangkok and up country.

2. Basis of the preparation of the financial statements

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and the presentation of the financial statement has been made in compliance with requirement of the Notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of securities companies (version 2), No. Sor. Thor. 22/2559 dated 2 June 2016.

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

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

3. New financial reporting standards

a) Financial reporting standards that became effective in the current year

During the year, the Company have adopted the revised financial reporting standards and interpretations (revised 2017) which are effective for fiscal years beginning on or after 1 January 2018. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes and clarifications directed towards disclosures in the notes to financial statements. The adoption of these financial reporting standards does not have any significant impact on the Company financial statements.

b) Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

The Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) which are effective for fiscal years beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards.

The management of the Company believe that most of the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

TFRS 15 Revenue from Contracts with Customers

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

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

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

The management of the Company believe that this standard will not have any significant impact on the financial statements when it is initially applied.

c) Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued the set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
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Financial Reporting Standard Interpretations:

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

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

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

4. Significant accounting policies

4.1 Revenue recognition

a) Brokerage fees

Brokerage fees on securities and derivatives business are recognised as income on the transaction dates.

b) Fees and service income

Fees and service income are recognised as income when services have been rendered taking into account the stage of completion.

c) Gain and return on financial instruments

Gain (loss) on trading in securities and derivatives

Gain (loss) on trading in securities and derivatives are recognised as income/expenses on the transaction dates.

Interest and dividend

Interest is recognised as income on an accrual basis. Dividend from investments is recognised when the right to receive the dividends is established.

d) Interest on credit balance loans

Interest is recognised as interest accrues based on a time proportion basis, but where there is uncertainty as to the collectability of loans and interest the Company ceases accrual.

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

- 1) Loans which are not fully collateralised.
- 2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue for more than 3 months.
- 3) Other receivables of which interest payment is overdue 3 months or more.

These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission in Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

4.2 Expense recognition

a) Interest on borrowings

Interest on borrowings is charged to expenses on an accrual basis.

b) Fees and service expenses

Fees and service expenses are charged to expenses on an accrual basis.

4.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, all bank deposit accounts maturing within 3 months or less from the date of acquisition, and including call notes receivable and term notes receivable issued by financial institutions with an ordinary maturing within 3 months or less and not subject to withdrawal restrictions.

4.4 Recognition and amortisation of customers' deposits assets

Assets which customers have placed with the Company for securities trading, both through cash accounts and credit balance accounts, including amounts which customers have placed as security for derivatives trading, are recorded as assets and liabilities of the Company for internal control purposes. As at the end of the reporting date, the Company excludes the amounts which are unsecured from both assets and liabilities and presents only those assets which belong to the Company.

4.5 Borrowing and lending of securities

The Company is engaged in securities borrowing and lending, whereby the Company acts as a principal or an agent of the borrowers and lenders of securities who are the Company's customers. The Company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position base on the close price quoted on the Stock Exchange of Thailand of the last working day of the year.

The Company adjust the balance of securities borrowing payables for which the borrowed securities have been sold short based on the latest offer price quoted on the Stock Exchange of Thailand on the last working day of the year. The change in value are recorded in profit or loss.

In addition, the Company records cash paid as collateral for securities borrowing as "Guaranteed deposit receivables" and cash received as collateral for securities lending as "Guarantee deposit payables".

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

4.6 Investments

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of those securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as gain (loss) on remeasuring investments in other comprehensive income in the statements of comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investment in held-to-maturities debt securities are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/ accreted amount presented as an adjustment to the interest income.
- d) Investments in non- marketable equity securities which are classified as other investments are valued at cost net of allowance of impairment (if any).
- e) The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.
- f) Losses on impairment of the investments (if any) are included in profit or loss when there is a factor indicating that such investments might be impaired.
- g) The weighted average method or the first in - first out (FIFO) method is used for computation of the cost of investments. On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.
- h) In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other comprehensive income in the statements of comprehensive income, depending on the type of investment that is reclassified.

4.7 Receivables from/payables to Clearing House and broker-dealers

Receivables from/payables to Clearing House and broker-dealers comprise the net balance receivables from/payables to Thailand Clearing House in respect of securities trades settled and derivative trading, and also include amounts pledged with Thailand Clearing House as security for derivatives trading and the net balance of receivables from/payables to overseas securities companies in respect of overseas securities trades settle through those companies.

4.8 Securities and derivatives business receivables and allowance for doubtful accounts

Securities and derivatives business receivables comprise the net securities and derivatives business receivables, after deducting allowance for doubtful accounts, and also including related accrued interest receivables.

In addition, securities business receivables comprise the net receivables balances of cash accounts, credit balance accounts for which the securities purchased are used as collateral, securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for securities borrowing payables or Thailand Clearing House) as well as other receivables such as overdue cash customers accounts and securities receivables which are subject to legal proceedings, are undergoing restructuring or are settling in installments.

The Company has provided an allowance for doubtful accounts based on a review of debtor's ability to make repayment, taking into consideration recovery risk, and the value of the collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the following guidelines.

a) Assets classified as doubtful loss are to satisfy the following criteria.

- (1) Loans balance which the Company has already made every effort to collect, but which remain unpaid and which the Company has already written- off in accordance with tax legislation.
- (2) Loans balance which the Company has forgiven.

- b) Doubtful debt is defined as the uncollateralised portion of the value of a debt which meets the following criteria.
- (1) General loans and other loans for which the collateral value is less than the loan balance.
 - (2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue by more than 3 months.
 - (3) Installment loans with repayment scheduled no less frequently than every 3 months, unless there is clear evidence and high degree of certainty that full repayment will be received.
- c) Substandard debt is defined as the collateralised portion of loans which meet the criteria in b).

Loans classified as doubtful loss will be written-off when identified. Allowance for doubtful account will be set aside for loans classified as doubtful at not less than 100 percent of the loan balance plus any additional specific loans which may not be fully recovered. The above guideline is in accordance with Notification No. Kor. Thor. 33/2543 dated 25 August 2000 which is updated by Notification No. Kor. Thor. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission.

4.9 Premises and equipment/Depreciation

Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (if any).

Depreciation of premises and equipment is calculated by reference to their cost on the straight-line basis over the following estimated useful lives:

Condominium units	20 years
Leasehold improvements	12 years
Office equipment	3, 5, 6 years
Furniture and fixtures	5, 6 years
Motor vehicles	5 years

No depreciation is provided on construction in progress.

Depreciation is included in determining income.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss when the asset is derecognised.

4.10 Intangible assets and amortisation

Intangible assets acquired are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

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

Intangible assets with finite useful lives is amortised for a period of 5 years.

4.11 Income tax

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

Current tax

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

Deferred tax

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

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

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

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

4.12 Property foreclosed

Property foreclosed is stated at the lower of cost or net realisable value with reference to the latest appraisal value less estimated selling expenses.

4.13 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in profit or loss.

4.14 Borrowings from financial institution

Borrowings from financial institution is recognised initially at the fair value of the proceeds received. borrowings from financial institution is subsequently stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings.

4.15 Securities and derivatives business payables

Securities and derivatives business payables are the obligations of the Company in respect of its securities and derivatives business with outside parties, such as the net payable balances of cash accounts, securities delivery obligations as a result of short sales or securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

4.16 Debt issued

Debt issued is recognised initially at the fair value of the proceeds received. Debt issued is subsequently stated at amortised cost, using the effective interest method. Any difference between proceeds and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings.

4.17 Related parties transaction

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

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

4.18 Long-term leases

Leases of assets that all the significant risk and rewards of ownership are retained with the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

4.19 Foreign currencies

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

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting date.

Gains and losses on exchange are included in determining income.

4.20 Employee benefits

a) Short-term employee benefits

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

b) Post-employment benefits (Defined contribution plans)

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

c) Post-employment benefits (Defined benefit plans)

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

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary, based on actuarial techniques, using the Projected Unit Credit Method.

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

4.21 Derivatives - Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Gains and losses from the translation are included in profit or loss. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

4.22 Provisions

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

4.23 Fair value measurement

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

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

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

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

5. Significant accounting judgements and estimates

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

5.1 Allowances for loan losses for securities and derivative business receivables

Allowances for doubtful accounts for securities and derivatives business receivables are intended to adjust the values of receivables for probable credit losses. The management uses the SEC's regulations regarding the provision of allowance for doubtful accounts and judgement to establish reserves for estimated losses for each outstanding receivable when there is any doubt about the receivable's capability to repay the debt. The allowances for doubtful accounts are determined through a combination of specific reviews, probability of default and the value of the securities used as collateral.

5.2 Impairment of investments

The Company reviews and set up allowance for impairment of investment when indication of impairment exists. The determination of what is indication of impairment requires judgement of management to estimate the expected loss by considering the status of each investment item.

5.3 Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is highly probable that taxable profit will be available against which these differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

5.4 Recognition and derecognition of assets and liabilities

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

5.5 Fair value of financial instruments

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of credit risk, liquidity, correlation and longer-term volatility of financial instruments. Change in assumptions about these factors could affect the fair value and discloses of fair value hierarchy.

5.6 Premises and equipment/Depreciation

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

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

5.7 Post-employment benefits under defined benefit plans

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

6. Cash and cash equivalents

	(Unit: Baht)	
	2018	2017
Cash	68,000	71,050
Current deposits and saving deposits	1,108,210,434	948,631,231
Promissory notes at call	322,000,000	170,000,000
Total cash and cash equivalents	1,430,278,434	1,118,702,281
Less: Deposits for customers' account	(1,042,222,028)	(838,415,754)
Cash and cash equivalents	388,056,406	280,286,527

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
<u>Supplemental cash flows information</u>		
Non-cash transactions		
Accounts payable for purchase of fixed assets		
and intangible assets	550,640	-

7. Receivables from Clearing House and broker-dealers

	(Unit: Baht)	
	2018	2017
Receivables from Clearing House		
Equity and debt securities	-	743,722,273
Derivatives	60,739,930	99,899,467
Total receivables from Clearing House and broker-dealers	60,739,930	843,621,740
Less: Receivables from Clearing House for customers' accounts	(31,362,527)	(64,692,196)
Receivables from Clearing House and broker-dealers	29,377,403	778,929,544

8. Securities and derivatives business receivables

	(Unit: Baht)	
	2018	2017
<u>Securities business receivables</u>		
Cash accounts	1,587,809,217	1,750,002,229
Credit balances receivables	5,602,956,803	8,190,550,970
Guaranteed deposit receivables	643,489,847	388,315,119
Receivables under securities borrowing and lending business	487,100,192	335,069,442
Other receivables	113,967,095	9,282,668
Total securities business receivables	8,435,323,154	10,673,220,428
Add: Accrued interest receivables	25,232,010	35,325,931
Less: Allowance for doubtful accounts	(113,192,517)	(6,970,741)
Net securities business receivables	8,347,362,647	10,701,575,618
<u>Derivatives business receivables</u>		
Derivatives business receivables	398,216	327,332
Total derivatives business receivables	398,216	327,332
Net securities and derivatives business receivables	8,347,760,863	10,701,902,950

- 8.1 As at 31 December 2018, the Company has securities business receivables of approximately Baht 113 million on which the recognition of income on an accrual basis has been suspended (31 December 2017: Baht 7 million).
- 8.2 As at 31 December 2018 and 2017, the Company has classified its securities business receivables including related interest receivable as follows, in accordance with the relevant guidelines issued by the Office of the Securities and Exchange Commission governing accounting for the doubtful debts of securities companies. The classification is as follows:

	(Unit: Thousand Baht)		
	2018		
	Debt balance	Allowance for doubtful accounts	Debt balance net of allowance for doubtful accounts
Normal	8,346,962	-	8,346,962
Substandard	107,021	(106,222)	799
Doubtful	6,971	(6,971)	-
Total	8,460,954	(113,193)	8,347,761

(Unit: Thousand Baht)

	2017		
	Debt balance	Allowance for doubtful accounts	Debt balance net of allowance for doubtful accounts
Normal	10,699,565	-	10,699,565
Substandard	2,338	-	2,338
Doubtful	6,971	(6,971)	-
Total	10,708,874	(6,971)	10,701,903

- 8.3** On 23 January 2018, the Company received an order from a government agency ordering the Company to hold all collateral belonged to a certain credit balance client. On 3 May 2018, the Company received an order from the same government agency which released part of the share collateral. As of 31 December 2018, the credit balance receivable was Baht 106 million with the total collateral value of Baht 206 million approximately, which has still been frozen under the order. The Company has already filed a civil lawsuit to claim for the whole receivable amount from the client, while the client answered and counter-claimed that the Company was not entitled to file the case and asked for compensation. Nonetheless, the management, by the Company's external counsel's legal opinion, considered that the counter-claim is defensible and the possibility to get additional loss is remote. Also, the Company has petitioned the court to release such collateral in accordance with the relevant laws. For prudence reason, the Company classified such account balance as substandard and set up the allowance for doubtful account for this case at Baht 106 million. The Company believed that the provision is sufficient and appropriate.
- 8.4** As at 31 December 2018, guaranteed deposit receivables of approximately Baht 643 million represent cash paid to secure the borrowing of securities for securities borrowing and lending transactions, and the fair value of the securities borrowed is approximately Baht 588 million (31 December 2017: Baht 388 million and Baht 348 million, respectively).

8.5 Allowance for doubtful accounts

(Unit: Thousand Baht)

	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	6,971	6,335
Change during the year	106,222	636
Balance - end of the year	113,193	6,971

9. Derivative assets/liabilities

(Unit: Baht)

	31 December 2018	
	Fair value	
	Assets	Liabilities
		Notional amount
<u>Trading derivatives</u>		
Futures ⁽¹⁾	-	- 213,710,450
Total	-	- 213,710,450

⁽¹⁾ Futures contracts are cash settlement. Real exposure is difference between cost of futures contracts and underlying assets level on settlement date, fair value of outstanding futures contracts as at the end of period/year included in "Receivables from Clearing House and broker-dealers". As at 31 December 2018, the fair value of derivative assets and liabilities for futures contracts are Baht 11 million and Baht 4 million respectively.

(Unit: Baht)

	31 December 2017	
	Fair value	
	Assets	Liabilities
		Notional amount
<u>Trading derivatives</u>		
Futures ⁽¹⁾	-	- 606,297,780
Total	-	- 606,297,780

⁽¹⁾ Futures contracts are cash settlement. Real exposure is difference between cost of futures contracts and underlying assets level on settlement date, fair value of outstanding futures contracts as at the end of period/year included in "Receivables from Clearing House and broker-dealers". As at 31 December 2017, the fair value of derivative assets and liabilities for futures contracts are Baht 7 million and Baht 14 million respectively.

10. Investments

10.1 Classify by type of investments

(Unit: Baht)

	2018		2017	
	Cost/ Amortised cost	Fair value	Cost/ Amortised cost	Fair value
<u>Trading securities</u>				
Listed equity securities	107,847,890	101,319,000	594,081,460	609,604,340
Add (less): Allowance for revaluation	(6,528,890)	-	15,522,880	-
Total listed equity securities-net	101,319,000	101,319,000	609,604,340	609,604,340
Debt	499,975,055	499,979,550	-	-
Add: Allowance for revaluation	4,495	-	-	-
Total listed debt securities-net	499,979,550	499,979,550	-	-
Net trading securities	601,298,550		609,604,340	
<u>Available-for-sale securities</u>				
Unit trusts	-	-	1,531,880	1,566,023
Total	-	-	1,531,880	1,566,023
Add: Allowance for revaluation	-		34,143	
Net available-for-sale securities	-		1,566,023	
<u>Held-to-maturity debt securities</u>				
Deposits subject to restriction	84,286,881		1,622,060	
Treasury bill	2,935,444,486		2,572,906,919	
Total	3,019,731,367		2,574,528,979	
Less: Investments for customer's accounts	(2,923,647,816)		(2,566,417,121)	
Net held-to-maturity debt securities	96,083,551		8,111,858	
<u>Other investments</u>				
Non-marketable equity securities	14,452,260		14,195,460	
Less: Allowance for impairment	(9,223,592)		(9,223,592)	
Net other investments	5,228,668		4,971,868	
Net investments	702,610,769		624,254,089	

10.2 Debt securities classified by remaining periods to maturity

As at 31 December 2018 and 2017, the Company classified investments in held-to-maturity debt securities by remaining periods to maturity as follows:

(Unit: Baht)

	2018		
	Due within		
	Within 1 year	1 - 5 years	Over 5 years
Held-to-maturity debt securities			
Deposits subject to restriction	84,286,881	-	-
Treasury bill	2,935,444,486	-	-
Less: Investments for customer's accounts	(2,923,647,816)	-	-
Total investments in held-to-maturity debt securities	96,083,551	-	-

(Unit: Baht)

	2017		
	Due within		
	Within 1 year	Total	Over 5 years
Held-to-maturity debt securities			
Deposits subject to restriction	1,622,060	-	-
Treasury bill	2,572,906,919	-	-
Less: Investments for customer's accounts	(2,566,417,121)	-	-
Total investments in held-to-maturity debt securities	8,111,858	-	-

10.3 Other components of equity - revaluation surplus (deficit) on investments

(Unit: Baht)

	For the years ended 31 December	
	2018	2017
Balance - beginning of the year	27,314	(1,491,817)
Changes during the year from		
Revaluation	16,592	1,919,927
Disposal	(50,735)	(21,013)
Deferred income tax	6,829	(379,783)
Balance - end of the year	-	27,314

11. Premises and equipment

(Unit: Baht)

For the year ended 31 December 2018						
	Condominium units	Office equipment	Furniture and fixtures	Motor Vehicles	Work in progress	Total
Cost						
1 January 2018	22,704,701	304,160,567	164,323,178	23,911,946	-	515,100,392
Additions	-	2,460,712	907,092	3,917,000	12,511,221	19,796,025
Transfer in / transfer out	-	9,075,269	3,435,952	-	(12,511,221)	-
Disposals/write-off	-	(6,950,978)	(1,870,238)	-	-	(8,821,216)
31 December 2018	22,704,701	308,745,570	166,795,984	27,828,946	-	526,075,201
Accumulated depreciation						
1 January 2018	18,441,571	240,047,222	135,333,135	5,888,051	-	399,709,979
Depreciation for the year	-	33,385,282	9,324,868	3,191,104	-	45,901,254
Depreciation on disposal /write-off	-	(6,943,884)	(1,491,529)	-	-	(8,435,413)
31 December 2018	18,441,571	266,488,620	143,166,474	9,079,155	-	437,175,820
Net book value						
31 December 2018	4,263,130	42,256,950	23,629,510	18,749,791	-	88,899,381
Depreciation for the year ended 31 December 2018						45,901,254

(Unit: Baht)

For the year ended 31 December 2017						
	Condominium units	Office equipment	Furniture and fixtures	Motor Vehicles	Work in progress	Total
Cost						
1 January 2017	22,704,701	276,718,908	165,247,487	23,911,946	-	488,583,042
Additions	-	27,694,091	68,555	-	-	27,762,646
Disposals/write-off	-	(252,432)	(992,864)	-	-	(1,245,296)
31 December 2017	22,704,701	304,160,567	164,323,178	23,911,946	-	515,100,392
Accumulated depreciation						
1 January 2017	18,441,571	211,621,585	125,058,410	2,985,663	-	358,107,229
Depreciation for the year	-	28,658,306	10,866,191	2,902,388	-	42,426,885
Depreciation on disposal /write-off	-	(232,669)	(591,466)	-	-	(824,135)
31 December 2017	18,441,571	240,047,222	135,333,135	5,888,051	-	399,709,979
Net book value						
31 December 2017	4,263,130	64,113,345	28,990,043	18,023,895	-	115,390,413
Depreciation for the year ended 31 December 2017						42,426,885

As at 31 December 2018, the Company premises and office equipment have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 336 million (31 December 2017: Baht 314 million).

12. Intangible assets

(Unit: Baht)

For the year ended 31 December 2018						
	Remaining amortisation period	Balance beginning of the year	Increase/ transfer in	Amortised	Disposals/ transfer out	Balance end of the year
Computer software	0 – 4.92 years	23,441,165	7,286,689	-	-	30,727,854
Software in progress		5,592,658	16,257,882	-	(6,273,443)	15,577,097
Total intangible assets		29,033,823	23,544,571	-	(6,273,443)	46,304,951
Less: Accumulated amortisation		(16,106,395)	-	(3,677,658)	-	(19,784,053)
Net intangible assets		12,927,428	23,544,571	(3,677,658)	(6,273,443)	26,520,898
Amortisation expenses for the year ended 31 December 2018						3,677,658

(Unit: Baht)

For the year ended 31 December 2017						
	Remaining amortisation period	Balance beginning of the year	Increase/ transfer in	Amortised	Disposals/ transfer out	Balance end of the year
Computer software	0 - 4.84 years	22,582,992	858,173	-	-	23,441,165
Software in progress		2,557,097	3,111,496	-	(75,935)	5,592,658
Total intangible assets		25,140,089	3,969,669	-	(75,935)	29,033,823
Less: Accumulated amortisation		(12,441,979)	-	(3,664,416)	-	(16,106,395)
Net intangible assets		12,698,110	3,969,669	(3,664,416)	(75,935)	12,927,428
Amortisation expenses for the year ended 31 December 2017						3,664,416

13. Deferred tax assets/liabilities and income tax

Income tax expenses for the years ended 31 December 2018 and 2017 are made up as follows:

(Unit: Baht)

For the years ended 31 December		
	2018	2017
Current income tax:		
Current income tax charge for the year	53,615,494	119,380,665
Adjustment in respect of income tax of prior year	38,520	21,878
Deferred tax:		
Relating to origination and reversal of temporary differences	(13,421,738)	(4,493,028)
Income tax expense reported in the statement of comprehensive income	40,232,276	114,909,515

The amounts of income tax relating to each component of other comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Deferred tax relating to gain (loss) on re-measuring available-for-sale investments	6,829	(379,783)
Deferred tax relating to actuarial gain	(2,308,306)	-
	<u>(2,301,477)</u>	<u>(379,783)</u>

Reconciliation between income tax expenses and the product of accounting profit and the applicable tax rates for the years ended 31 December 2018 and 2017 are as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Accounting profit before tax	<u>217,749,545</u>	<u>590,348,853</u>
Applicable tax rates	20 percent	20 percent
Accounting profit before tax multiplied by applicable tax rates	43,549,909	118,069,770
Adjustment in respect of income tax of prior year	38,520	21,878
Effects of:		
Non-deductible expense	448,645	859,271
Non-taxable income	(210,724)	(431,668)
Additional expense deductions allowed	(3,594,074)	(3,609,736)
Total	<u>(3,356,153)</u>	<u>(3,182,133)</u>
Income tax expenses reported in the statement of comprehensive income	<u>40,232,276</u>	<u>114,909,515</u>

The components of deferred tax assets and deferred tax liabilities as at 31 December 2018 and 2017 are as follows:

	(Unit: Baht)	
	2018	2017
Deferred tax assets		
Allowance for impairment of investments	1,844,719	1,844,719
Allowance for impairment of property foreclosed	5,570,240	5,570,240
Allowance for doubtful accounts/allowance for other receivables	22,653,383	1,409,028
Provisions for long-term employee benefits	19,482,457	20,008,656
Accrued employee expenses	23,650,751	34,381,365
Others	12,555,956	11,095,267
Total deferred tax assets	85,757,506	74,309,275
Deferred tax liabilities		
Others	(1,875,807)	(1,547,837)
Total deferred tax liabilities	(1,875,807)	(1,547,837)
Net deferred tax assets	83,881,699	72,761,438

14. Other assets

	(Unit: Baht)	
	2018	2017
Loans to employees	56,443,744	66,492,734
Contribution for Securities Clearing Fund	81,528,478	70,707,767
Prepaid expenses	48,393,536	41,097,827
Deposits	18,547,936	17,802,281
Property foreclosed		
(net of allowance for impairment of Baht 28 million)	15,000,000	15,000,000
Accrued interest receivables	8,463,720	1,339,892
Deposit for derivative business	5,000,000	5,000,000
Fees and service income receivables	46,055,929	50,460,936
Others	5,673,068	11,806,987
Total other assets	285,106,411	279,708,424

15. Borrowings from financial institutions

As at 31 December 2018 and 2017, borrowings from financial institutions comprising only domestic borrowings and are classified as follows:

(Unit: Thousand Baht)

	2018				
	Interest rate	Remaining period to maturity			
	per annum	Less than			
	(percent)	At call	1 year	1 - 5 years	Total
Promissory notes	1.950 - 2.300	200,000	750,000	-	950,000
Borrowings					
Borrowings (THB)	1.844	-	200,000	100,000	300,000
Total borrowings from financial institutions		200,000	950,000	100,000	1,250,000

(Unit: Thousand Baht)

	2017				
	Interest rate	Remaining period to maturity			
	per annum	Less than			
	(percent)	At call	1 year	1 - 5 years	Total
Promissory notes	1.675 - 1.990	550,000	2,150,000	-	2,700,000
Borrowings					
Borrowings (THB)	1.644 - 3.080	-	800,000	300,000	1,100,000
Total borrowings from financial institutions		550,000	2,950,000	300,000	3,800,000

Movement of the borrowings from financial institutions are borrowings from bank during the year ended 31 December 2018 and 2017 are summarised below:

(Unit: Thousand Baht)

	2018	2017
Balance - beginning of the year	1,100,000	1,300,000
Add: Additional borrowings	-	500,000
Less: Repayment	(800,000)	(700,000)
Balance - end of the year	<u>300,000</u>	<u>1,100,000</u>

As at 31 December 2018, the above borrowings of Baht 300 million (31 December 2017: Baht 1,100 million) are borrowings from domestic bank and the Bangkok branch of the overseas banks, with maturities of 2-3 years counting from contract date. The interest is carried at fixed rates per annum, payable as specified in the loan agreements. The loan agreements contain conditions whereby the Company is obliged to pay unwinding fees arising as a result of the Company terminating the agreements or prepaying the borrowings before the maturity date, which is calculated based on the conditions as specified in the loan agreements.

16. Payables to Clearing House and broker-dealers

	(Unit: Baht)	
	2018	2017
Payables to Clearing House		
Equity and debt securities	477,419,298	641,073,800
Derivatives	777,178	1,830,928
Payables from foreign companies	-	78,906
Total payables to Clearing House and broker-dealers	478,196,476	642,983,634

17. Securities and derivatives business payables

	(Unit: Baht)	
	2018	2017
<u>Securities business payables</u>		
Cash accounts	1,058,364,344	1,673,626,103
Guarantee deposit payables	506,421,459	350,302,854
Payable under securities borrowing and lending business	588,335,692	347,719,442
Total securities business payables	2,153,121,495	2,371,648,399
Accrued interest payables	3,149,500	2,688,082
Total securities business payables	2,156,270,995	2,374,336,481
<u>Derivatives business payables</u>		
Derivatives business payables	1,022,774	2,356,419
Total derivatives business payables	1,022,774	2,356,419
Net securities and derivatives business payables	2,157,293,769	2,376,692,900

18. Debt issued and other borrowings

(Unit: Baht)					
31 December 2018					
	Interest rate/discount Per annum (percent)	Remaining period to maturity			Total
		Less than 1 year	1 - 5 years	More than 5 years	
Debt issued					
Bills of exchange					
(Zero - coupon note with Baht 300 million face value)	1.64	299,532,046	-	-	299,532,046
Total		299,532,046	-	-	299,532,046

19. Provisions for long-term employee benefits

Provision for long-term employee benefits, which are compensations on employees' retirement, are as follows:

(Unit: Baht)		
	For the years ended 31 December	
	2018	2017
Provisions for long-term employee benefits at beginning of year	100,043,281	92,068,141
Included in profit or loss:		
Current service cost	6,693,140	6,548,127
Interest cost	2,217,396	2,021,748
Included in other comprehensive income:		
Actuarial (gain) loss arising from		
Demographic assumptions changes	1,844,839	-
Financial assumptions changes	(6,354,479)	-
Experience adjustments	(7,031,890)	-
Benefits paid during the year	-	(594,735)
Provisions for long-term employee benefits at end of year	97,412,287	100,043,281

Long-term employee benefit expenses included in the profit or loss are as follows:

(Unit: Baht)		
	2018	2017
Current service cost	6,693,140	6,548,127
Interest cost	2,217,396	2,021,748
Total expense recognised in profit or loss	8,910,536	8,569,875

The Company has obligation relating to long-term employee benefits expected to be paid to its employees in the next one year amount of Baht 5.8 million.

As at 31 December 2018, the weighted average duration of the liabilities for long-term employee benefit was 12.63 years.

Significant actuarial assumptions are summarised below:

	2018	2017
Average discount rate	2.4 percent per annum	2.12 percent per annum
Salary increase rate	5 - 6 percent per annum	5 - 7 percent per annum
Average turnover rate	3 - 32 percent per annum based on employee's year of services	3 - 25 percent per annum based on employee's year of services

The result of sensitivity analysis for significant assumptions that affect the present value of the long-term employee benefit obligation as at 31 December 2018 and 2017 are summarised below:

	(Unit: Million Baht)			
	2018		2017	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
Discount rate	(4.1)	4.4	(4.7)	5.0
Salary increase rate	4.0	(3.7)	5.1	(4.8)

	(Unit: Million Baht)			
	2018		2017	
	Increase 10%	Decrease 10%	Increase 10%	Decrease 10%
Average turnover rate	(2.9)	3.1	(3.8)	4.1

On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation at a rate of not less than that of the last 400 days. This change is considered a post-employment benefits plan amendment and the Company has additional liabilities for long-term employee benefits of Baht 33.1million. The Company will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective.

20. Other liabilities

	(Unit: Baht)	
	2018	2017
Accrued employee expenses	132,339,173	186,202,993
Accrued interest expenses	4,641,153	12,367,363
Accrued expenses	35,923,458	72,918,175
Others	148,744,234	46,596,589
Total other liabilities	321,648,018	318,085,120

21. Statutory reserve

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

As at 31 December 2018, the Company allotted profit of Baht 8.9 million to the statutory reserve (31 December 2017: Baht 23.8 million).

22. Capital Management

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net liquid capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

23. Brokerage fee income

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Brokerage fee from securities business	657,953,730	776,672,562
Brokerage fee from derivatives business	72,872,020	46,104,801
Total brokerage fees income	730,825,750	812,777,363

24. Fees and service income

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Underwriting fee	36,377,355	29,776,916
Financial advisory	3,800,000	16,030,203
Selling agent	214,601,377	301,090,190
Securities borrowing and lending	31,583,511	24,072,367
Business support	98,385,876	54,390,803
Others	1,214,572	3,239,799
Total fees and service income	385,962,691	428,600,278

25. Gain and return on financial instruments

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Gain (loss) on securities	(10,852,018)	192,748,953
Gain (loss) on derivatives	33,615,558	(10,035,188)
Interest and dividend	65,352,871	57,556,281
Total gain and return on financial instruments	88,116,411	240,270,046

26. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E 2530. The employees contribute to the fund monthly at the rate of 5 - 15 percent of basic salary and the Company contribute to the fund monthly at the rate of 5 - 10 percent of basic salary. The Fund is managed by TISCO Asset Management Limited and will be paid to the employees upon termination in accordance with the fund rules.

During the year 2018, the Company contributed Baht 27.1 million to the fund (2017: Baht 26.8 million).

In addition to the contributory registered provident fund, the Company has established a provision for an additional plan for employees who work with the Company for over 5 years and over 10 years. The plan is unfunded and is provided only for employees who joined the Company prior to 15 July 1986. Liabilities under this plan have been presented as part of "Other liabilities".

27. Earnings per share

Basic earnings per share is calculated by dividing profit for the year (excluding other comprehensive income) by the weighted average number of ordinary shares outstanding during the year.

28. Dividends

During the years, the Company declared the following dividends for payment to shareholders:

	Approved by	Total dividend declaration (Million Baht)	Dividend declaration per share (Baht)
Dividends from the operating results for the year ended 31 December 2017	The annual ordinary meeting of the Company's shareholders No. 1/2561 on 27 April 2018	452	0.21 (from 2,150,469,000 ordinary shares at par value of Baht 1 each)
Dividends from the operating results for the year ended 31 December 2016	The annual ordinary meeting of the Company's shareholders No. 1/2560 on 26 April 2017	387	0.18 (from 2,150,469,000 ordinary shares at par value of Baht 1 each)

29. Related party transactions

During the years, the Company had significant business transactions with the following related parties.

Related parties	Relationship
Nomura Holdings., Inc.	Ultimate parent company
Nomura Singapore Limited	Having common major shareholders
Nomura Securities Co., Ltd.	Having common major shareholders
Nomura International (Hong Kong) Limited	Having common major shareholders
Nomura International Plc.	Having common major shareholders
Instinet Pacific Limited	Having common major shareholders
United Information Highway Co., Ltd.	Having common director

Such transactions with its related companies were concluded on the commercial terms and based agree upon by the Company and those companies in the ordinary course of business. The significant transactions are summarised below.

		(Unit: Baht)	
		For the years ended 31 December	Pricing policies
		2018	2017
Transactions occurred during the years			
Brokerage fees income			
- Nomura Singapore Limited	-	5,075	At normal rate charged to other clients
- Nomura International Plc.	111,955	38,179	At normal rate charged to other clients
- Instinet Pacific Limited	55,659,087	61,986,522	At normal rate charged to other clients
- Director	114,634	2,563	At normal rate charged to other clients
Fees income from business support services			
- Nomura Singapore Limited	14,582,818	16,004,438	At actual costs plus a margin of 10 percent
Fees income from international investment banking services			
- Nomura Singapore Limited	32,006,950	18,681,564	At actual costs plus a margin of 10 percent
Fees income from introducing broker			
- Nomura Singapore Limited	611,960	2,667,063	Based on actual executed transactions of our referred customers and at the rate as indicate in the agreement referred to similar business
Fee income from securities borrowing and lending			
- Nomura International Plc.	72,495	18,214	At normal rate charged to other clients
- Instinet Pacific Limited	400,364	174,888	At normal rate charged to other clients
Fees income from other services			
- Nomura Securities Co., Ltd.	13,256,164	6,092,400	At the contract rate determined by extent and amount of work assigned
- Nomura International (Hong Kong) Limited	12,314,358	8,262,271	At the contract rate determined by extent and amount of work assigned
- Nomura Singapore Limited	3,840,065	-	At the contract rate determined by extent and amount of work assigned
Fees income from securities trading and research			
- Nomura Singapore Limited	22,385,521	5,350,130	At actual costs plus a margin of 10 percent net with the brokerage commission received

	For the years ended 31 December		(Unit: Baht)
	2018	2017	Pricing policies (for the year 2018)
<u>Transactions occurred during the years</u>			
(continued)			
Fee income from late delivery			
- Instinet Pacific Limited	731,812	1,241,688	At normal rate charged to other clients
Other income			
- Nomura International (Hong Kong) Limited	-	244,389	Base on the scope and volume of work assigned
Fee expenses from Hi-speed circuit service			
- United Information Highway Co., Ltd.	2,199,360	2,184,579	At the same rate charged to other clients without dependent interest
Brokerage fees expense from foreign securities trading			
- Nomura Singapore Limited	24,866	33,641	Calculated base on trade volume and at the referential rate charged by others without dependent interest
Referral Fees			
- Nomura International (Hong Kong) Limited	-	218,250	Calculated base on the proportionate rate of underwriting fees received from clients which was the same rate paid to others non related parties
- Nomura Securities Co., Ltd.	-	436,500	Calculated base on the proportionate rate of underwriting fees received from clients which was the same rate paid to others non related parties
Service fees from trading fixed income in foreign currency			
- Nomura Singapore Limited	-	134,275	Calculated base on the proportionate rate of income received from trading fixed income in foreign currency
- Nomura International (Hong Kong) Limited	-	268,549	Calculated base on the proportionate rate of income received from trading fixed income in foreign currency
Interest income from loans to employees			
- Director	479	4,373	At the same rate charged to other Company's staffs

As at 31 December 2018 and 2017, the outstanding balances of the related party transactions are as follows:

	(Unit: Baht)	
	2018	2017
Securities business receivables		
- Instinet Pacific Limited	296,850,749	192,013,129
Other assets - accrued income receivables		
- Nomura Singapore Limited	36,543,629	18,263,310
Other assets - loan to employees		
- Director	-	129,134
Other assets - Securities borrowing and Lending receivables		
- Nomura International Plc.	2,350	-
- Instinet Pacific Limited	3,000	11,048
Other assets - others		
- Nomura Singapore Limited	-	108,782
- Nomura Securities Co., Ltd.	564,781	579,750
- Nomura Holdings Inc.	-	48,344
Securities business payables		
- Instinet Pacific Limited	361,167,552	196,984,091
Other payables - others		
- Instinet Pacific Limited	-	15,030,871

Management's remuneration

During the years ended 31 December 2018 and 2017, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Baht)	
	For the years ended 31 December	
	2018	2017
Short-term employee benefits	98,885,666	95,151,143
Post-employment benefits	5,472,120	4,800,131
	104,357,786	99,951,274

30. Operating information by segment

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.

For management purposes, the Company is organised into business units based on its products and services and have four reportable segments as follows:

- Securities business segment, which provide service according to brokering, derivative brokering and securities borrowing and lending.
- Investment banking segment, which provide service according to underwriting, investment advisory and financial advisory.
- Fixed Income segment, which provide service according to trading debt securities.
- Other segments, which provide support services and operating management.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and total assets on a basis consistent with that used to measure operating profit or loss and total assets in the financial statements.

The following tables present revenue and profit and total assets information regarding the Company's operating segments as at 31 December 2018 and 2017, and for the years ended 31 December 2018 and 2017 of the Company by segment.

(Unit: Million Baht)

	For the years ended 31 December									
	Securities business		Investments		Fixed income		Other segments		Total	
	segment		banking segment		segment					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Total revenue	995	1,126	90	74	24	50	21	26	1,130	1,276
Segment operating income	221	331	25	31	10	18	10	14	266	394
Unallocated income (expenses)										
Interest on margin loans									367	364
Gain and return on financial instruments									75	207
Other income									13	7
Financial costs									(89)	(82)
Personnel expenses and other expenses									(308)	(300)
Bad Debt and doubtful accounts									(106)	-
Income tax									(40)	(115)
Profit for the year									178	475

(Unit: Million Baht)

As at 31 December									
Securities business segment		Investments banking segment		Fixed income segment		Other segments		Total	
2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Premises and equipment - net								89	115
Unallocated assets								9,863	12,751
Total assets								9,952	12,866

Geographic information

The Company is operated in Thailand only. As a result, all of the revenues and assets as reflected in these financial statements pertain to the aforementioned geographical reportable.

Major customers

For the years ended 31 December 2018 and 2017, the Company has no major customer with revenue of 10 percent or more of an entity's revenues.

31. Commitments and contingent liabilities

As at 31 December 2018 and 2017, the Company has the following outstanding commitments and contingent liabilities.

- 31.1** The Company has the following outstanding commitments under the lease agreements for its office building and motor vehicles, under which the Company is to pay rental and service fees in the future, counting from the year end date, as follows.

	(Unit: Million Baht)	
	2018	2017
Within 1 year	57	35
In 1-2 years	46	17
Over 2 years	16	11

- 31.2** The Company has commitments to pay the fees related to its securities business to the Stock Exchange of Thailand, Thailand Clearing House Company Limited and Thailand Securities Depository Company Limited. These comprise a monthly fixed amount, a percentage of trading volume each month and/or a percentage of net settlements each month.
- 31.3** The Company has commitment to pay the fees related to its derivatives business to Thailand Futures Exchange Public Company Limited and Thailand Clearing House Company Limited. These comprise a monthly fixed amount and/or at the fixed payment for each purchase or sale of a futures contract transacted.

31.4 The Company has commitments to pay a fee to the Office of the Securities and Exchange Commission in relation to securities business licenses at the rate of 0.001 percent of its trading volume in the Stock Exchange of Thailand. For commission received from securities trading, underwriting and others which the Company has licenses, the fee is charged at the rate of 1 percent of income from the aforesaid activities. For securities trading of funds, the fee is charged at the rate of 0.001 percent of sale volume of funds. The minimum total fee is Baht 25,000 per annum and the maximum total fee is Baht 10,000,000 per annum.

31.5 The Company has commitments to pay a fee to the Office of the Securities and Exchange Commission in relation to derivatives business licenses at the rate of Baht 0.10 per contract and Baht 0.01 per contract for single stock futures with underlying price not over Baht 100. The minimum total fee is Baht 25,000 per annum and the maximum total fee is Baht 1,000,000 per annum.

31.6 As at 31 December 2018, there have been criminal and civil lawsuits brought by an individual against the Company.

In the criminal case, on 16 March 2018, the Court of First Instance sentenced the Company to pay a fine of Baht 120,000 for the fraud offence. The Company disagrees with the findings and the judgment, and has already filed an appeal with the appeal court on 13 September 2018. The Court of First Instance dismissed the charges in respect of the Securities and Exchange Act B.E. 2535 (1992) violation. The Plaintiff appealed for the charges. On 5 November 2018, the Company filed the answer/response to the Plaintiff's appeal. The case is not final.

In the civil case, on 30 October 2018, the same Plaintiff filed a civil complaint against the Company and the other 3 Defendants for tort and damages claim. The Company submitted the answer to the Plaintiff's civil complaint on 18 February 2019 and also on the same date submitted the petition to request the court to temporarily suspend the civil case until the criminal case is final according to the law, as this civil case has the same ground as that in the above criminal case. The Civil Court accepted the Company's answer and ordered to temporarily suspend the civil case until the criminal case is final. The possibility to get additional loss is remote.

32. Financial instruments

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

32.1 Risk management policy

The Company's financial instruments principally comprise cash and cash equivalents, receivables/payables from clearing house and broker-dealers, securities and derivatives business receivables/payables, investments, loans to employees, borrowings from financial institutions and debt issued and other borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

32.2 Credit risk

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivable from Clearing House, securities and derivatives business receivables and loans to employees as stated in the statements of financial position.

32.3 Interest rate risk

Interest rate risk refers to the risk that the value of financial asset and financial liabilities may change from the market interest rate. However, since most of the Company's financial assets and liabilities will mature in 1 year or has floating interest rate, the Company's interest rate risk is expected to be low.

As at 31 December 2018 and 2017 classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

2018							
Outstanding balances of financial instruments							
	Floating interest rate	Fixed interest rate which the remaining period before maturity date or end of contract date		Without interest	Total	Interest rate	
		Within 1 year	1 - 5 years			Floating interest rate	Fixed interest rate
						% p.a.	% p.a.
Financial assets							
Cash and cash equivalents	384	-	-	4	388	0.05 - 1.25	-
Receivable from Clearing House and broker-dealers	-	-	-	29	29	-	-
Securities and derivatives business receivables	5,709	487	1	2,239	8,436	5.06 - 6.06	3.50 - 5.06
Investments	-	596	-	107	703	-	1.05 - 2.30
Loans to employees	56	-	-	-	56	1.50	-
Financial liabilities							
Borrowings from financial institutions	-	1,150	100	-	1,250	-	1.84 - 2.30
Payables to Clearing House and broker-dealers	-	-	-	478	478	-	-
Securities and derivatives business payables	-	588	-	1,566	2,154	-	2.50
Debt issued and other borrowings	-	300	-	-	300	-	1.60

(Unit: Million Baht)

2017							
Outstanding balances of financial instruments							
	Floating interest rate	Fixed interest rate which the remaining period before maturity date or end of contract date		Without interest	Total	Interest rate	
		Within 1 year	1 - 5 years			Floating	Fixed
						interest rate	interest rate
						% p.a.	% p.a.
Financial assets							
Cash and cash equivalents	280	-	-	-	280	0.05 - 1.00	-
Receivable from Clearing House and broker-dealers	-	-	-	779	779	-	-
Securities and derivatives business receivables	8,191	335	-	2,148	10,674	5.06 - 6.06	3.50
Investments	-	8	-	616	624	-	1.14 - 1.45
Loans to employees	66	-	-	-	66	1.50	-
Financial liabilities							
Borrowings from financial institutions	-	3,500	300	-	3,800	-	1.64 - 3.08
Payables to Clearing House and broker-dealers	-	-	-	643	643	-	-
Securities and derivatives business payables	-	348	-	2,024	2,372	-	2.50

32.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

Counting from the reporting date, as at 31 December 2018 and 2017, the periods to the maturity dates of financial instruments are as follows.

(Unit: Million Baht)

	2018					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<u>Financial assets</u>						
Cash and cash equivalents	388	-	-	-	-	388
Receivable from Clearing House and broker-dealers	-	29	-	-	-	29
Securities and derivatives business receivables	1,131	1,613	1	-	5,603	8,348
Investments	102	596	-	-	5	703
Loans to employees	-	1	6	49	-	56
<u>Financial liabilities</u>						
Borrowings from financial institutions	200	950	100	-	-	1,250
Payables to Clearing House and broker-dealers	-	478	-	-	-	478
Securities and derivatives business payables	1,095	1,062	-	-	-	2,157
Debt issued and other borrowings	-	300	-	-	-	300

(Unit: Million Baht)

	2017					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<u>Financial assets</u>						
Cash and cash equivalents	280	-	-	-	-	280
Receivable from Clearing House and broker-dealers	-	779	-	-	-	779
Securities and derivatives business receivables	723	1,786	2	-	8,191	10,702
Investments	611	8	-	-	5	624
Loans to employees	-	1	9	56	-	66
<u>Financial liabilities</u>						
Borrowings from financial institutions	550	2,950	300	-	-	3,800
Payables to Clearing House and broker-dealers	-	643	-	-	-	643
Securities and derivatives business payables	698	1,679	-	-	-	2,377

32.5 Foreign exchange risk

The Company's exposure to foreign currency risk arises mainly from brokerage service for securities listed in stock exchange in overseas and revenue and expense transactions that are denominated in foreign currencies.

The significant balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2018 and 2017 are summarised below:

Foreign currency	Financial assets		Financial liabilities		(Unit: Thousand unit)	
					Average exchange rates	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
					(Baht per 1 foreign currency unit)	
Japanese yen	55	879	-	-	0.2931	0.2898
Hong Kong dollar	234	196	-	-	4.1416	4.1421
Singapore dollar	7	18	-	-	23.6943	24.1711
United States dollar	57	175	-	-	32.4498	32.5146
Australia dollar	-	1	-	-	22.8411	25.4772
United Kingdom pound	1	2	-	-	41.0667	43.9865
Euro Zone	1	2	-	-	37.1252	39.0273
Malaysia dollar	-	1	-	-	7.8056	8.0584
Canada dollar	-	9	-	-	23.8186	26.0043
China yuan	-	1	-	-	4.7237	5.0145
Laos kip	865,880	865,558	-	-	0.0038	0.0039

32.6 Equity position risk

The Company is exposed to equity position risk, due to the Company has investment in listed securities which will result in fluctuations in revenue or the value of financial assets.

33 Fair value

As at 31 December 2018 and 2017, the Company had the following assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Held for trade investments				
Equity instruments	101,319	-	-	101,319
Debt instruments	-	499,980	-	499,980
Derivative assets ¹	-	-	-	-
Financial assets measured at fair value				
Derivative liabilities ¹	-	-	-	-

¹ Fair value of derivatives assets/liabilities - futures as at 31 December 2018 amounting to Baht 11 million and Baht 4 million, respectively, included in "Receivables from Clearing House and brokers", were measured at fair value by using Level 1 of input

(Unit: Thousand Baht)

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Held for trade investments				
Equity instruments	609,604	-	-	609,604
Available-for-sale investments				
Unit trusts	-	1,566	-	1,566
Derivative assets ¹	-	-	-	-
Financial assets measured at fair value				
Derivative liabilities ¹	-	-	-	-

¹ Fair value of derivatives assets/liabilities - futures as at 31 December 2017 amounting to Baht 7 million and Baht 14 million, respectively, included in "Receivables from Clearing House and brokers", were measured at fair value by using Level 1 of input

As at 31 December 2018 and 2017, the Company had the financial assets and financial liabilities that were measured at cost for which fair value are disclosed using different levels of inputs as follows:

(Unit: Million Baht)

		2018				
		Book value	Fair value			
			Total	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value						
Cash and cash equivalents	388	388	388	-	-	-
Receivable from Clearing House and broker-dealers	29	29	-	29	-	-
Securities and derivatives business receivables	8,348	8,348	-	8,348	-	-
Investments	101	101	84	12	5	-
Loans to employees	56	45	-	-	45	-
Financial liabilities for which fair value are disclosed						
Borrowings from financial institutions	1,250	1,250	-	1,250	-	-
Payables to Clearing House and broker-dealers	478	478	-	478	-	-
Securities and derivatives business payables	2,157	2,157	-	2,157	-	-
Debt issued and other borrowings	300	300	-	300	-	-

(Unit: Million Baht)

	2017				
	Book value	Fair value			
		Total	Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value					
Cash and cash equivalents	280	280	280	-	-
Receivable from Clearing House and broker-dealers	779	779	-	779	-
Securities and derivatives business receivables	10,702	10,702	-	10,702	-
Investments	13	13	2	6	5
Loans to employees	66	52	-	-	52
Financial liabilities for which fair value are disclosed					
Borrowings from financial institutions	3,800	3,800	-	3,800	-
Payables to Clearing House and broker-dealers	643	643	-	643	-
Securities and derivatives business payables	2,377	2,377	-	2,377	-

Valuation techniques and inputs used for fair value measurement

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, Receivable from Clearing House and broker-dealers, Securities and derivatives business receivables, Payables to Clearing House and broker-dealers and Securities and derivatives business payables, their carrying amounts in the statement of financial position approximate their fair value.
- b) For investments, their fair value is generally derived from quoted market prices or based on generally accepted pricing models when no market price is available. The fair value of investments in debt instruments has been determined by using the yield curve as announced by the Thai Bond Market Association or by other relevant bodies.
- c) The fair value of unit trusts has been determined by using the net asset value per unit as announced by the fund managers. For investment in non-marketable equity securities, their fair value is based on their net book value.
- d) For loans to employees under welfare program, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions.
- e) For Borrowings from financial institutions and Borrowings carrying interest approximate to the market rate, their carrying amounts in the statement of financial position approximates their fair value.

During the current year, there were no transfers within the fair value hierarchy.

34. Approval of financial statements

These financial statements were authorised for issue by the Company's board of directors on 22 February 2019.