

**Advance Finance Public Company Limited
and its Subsidiary**

Interim financial statements
for the six-month period ended
30 June 2013
and
Independent Auditor's Report



KPMG Phoomchai Audit Ltd.

Empire Tower, 50th-51st Floors
195 South Sathorn Road
Bangkok 10120, Thailand

บริษัท เคพีเอ็มจี ภูเก็ต สอบบัญชี จำกัด

ชั้น 50-51 เอ็มไพร์ทาวเวอร์ Tel: +66 2677 2000
195 ถนนสาทรใต้ Fax: +66 2677 2222
กรุงเทพฯ 10120 www.kpmg.co.th

Independent Auditor's Report

To the Board of Director of Advance Finance Public Company Limited

I have audited the accompanying interim consolidated and separate financial statements of Advance Finance Public Company Limited and its subsidiary, and of Advance Finance Public Company Limited respectively, which comprise the consolidated and separate statements of financial positions as at 30 June 2013, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Interim Consolidated and Separate Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these interim consolidated and separate financial statements based on my audits. I conducted my audits in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the interim consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. 4.



Opinion

In my opinion, the interim consolidated and separate financial statements referred to above present fairly, in all material respects, the consolidated and separate financial positions of Advance Finance Public Company Limited and its subsidiary, and of Advance Finance Public Company Limited, respectively, as at 30 June 2013, and of their consolidated and separate financial performance and cash flows for the six-month period then ended in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to note 3 to the interim financial statements describing the effect of the Company and its subsidiary' adoption from 1 January 2013 of certain new accounting policies. The consolidated and separate statements of financial position as at 31 December 2012 and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the six-month period ended 30 June 2012, which are included as comparative information, are components of the audited consolidated and separate financial statements as at and for the year ended 31 December 2012 and for the six-month period ended 30 June 2012, respectively after making the adjustments described in notes 3.

(Wilai Buranakittisophon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
28 August 2013

Advance Finance Public Company Limited and its Subsidiary

Statements of financial position

	Note	Consolidated financial statements			Separate financial statements		
		30 June	31 December	1 January	30 June	31 December	1 January
		2013	2012	2012	2013	2012	2012
			(Restated)	(Restated)		(Restated)	(Restated)
							(in Baht)
Assets		35,000	35,000	35,000	30,000	30,000	30,000
Cash		35,000	35,000	35,000	30,000	30,000	30,000
Intercompany and money market items	8	771,053,143	539,746,332	840,601,068	744,854,990	513,759,734	815,023,780
Investments, net	9	426,519,086	946,836,507	495,205,200	426,519,086	946,836,507	495,205,200
Investment in subsidiary	10	-	-	-	24,999,300	24,999,300	24,999,300
Loans to customers and accrued interest receivables, net	11						
Loans to customers		2,536,030,831	2,459,095,421	2,468,885,578	2,536,030,831	2,459,095,421	2,468,885,578
Accrued interest receivables		5,165,096	5,518,544	13,808,022	5,165,096	5,518,544	13,808,022
Total loans to customers and accrued interest receivables		2,541,195,927	2,464,613,965	2,482,693,600	2,541,195,927	2,464,613,965	2,482,693,600
Less allowance for doubtful accounts	14	(140,879,367)	(136,209,546)	(134,209,546)	(140,879,367)	(136,209,546)	(134,209,546)
Total loans to customers and accrued interest receivables, net		2,400,316,560	2,328,404,419	2,348,484,054	2,400,316,560	2,328,404,419	2,348,484,054
Properties for sale	15	180,821,508	183,988,842	214,985,847	180,821,508	183,988,842	214,985,847
Equipment, net	16	9,034,421	10,206,041	3,095,961	9,034,421	10,206,041	3,095,961
Intangible assets, net	17	1,068,766	1,120,680	759,686	1,068,766	1,120,680	759,686
Deferred tax asset	3,18	7,795,387	7,598,993	7,764,782	7,795,387	7,598,993	7,764,782
Receivable from Legal Execution Department		4,398,500	-	4,540,500	4,398,500	-	4,540,500
Accrued service fee		856,000	4,295,066	428,000	856,000	4,295,066	428,000
Deposit		2,710,395	2,709,197	1,433,977	2,710,395	2,709,197	1,433,977
Other assets, net	19, 28	4,946,249	2,159,722	2,048,019	5,013,523	2,219,942	2,108,239
Total assets		3,809,555,015	4,027,100,799	3,919,382,094	3,808,418,436	4,026,168,721	3,918,859,326



บริษัทเงินทุน แอดวานซ์ จำกัด (มหาชน)
Advance Finance Public Company Limited

Director

Director

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

Advance Finance Public Company Limited and its Subsidiary

Statements of financial position

	Note	Consolidated			Separate		
		financial statements			financial statements		
		30 June	31 December	1 January	30 June	31 December	1 January
		2013	2012	2012	2013	2012	2012
Liabilities and equity			(Restated)	(Restated)		(Restated)	(Restated)
(in Baht)							
Liabilities							
Deposits	20	2,248,909,801	2,129,273,104	1,422,998,106	2,248,909,801	2,129,273,104	1,422,998,106
Intercompany and money market items	21	660,798,301	965,798,301	1,159,100,000	660,798,301	965,798,301	1,159,100,000
Debts issued and borrowings	22	85,865,908	134,553,847	527,114,592	85,865,908	134,553,847	527,114,592
Accrued interest payable		13,919,814	13,440,950	13,576,612	13,919,814	13,440,950	13,576,612
Contributions to the Financial Institutions							
Development Fund and the Deposit							
Protection Agency payable		6,326,872	6,404,078	4,508,748	6,326,872	6,404,078	4,508,748
Accrued corporate taxes		3,088,631	64,808	7,912,241	3,035,929	-	7,837,389.00
Employee benefit obligations	23	20,134,567	18,993,660	16,852,661	20,134,567	18,993,660	16,852,661
Withholding tax payable		1,357,849	2,057,717	2,823,923	1,357,849	2,057,717	2,823,923
Accrued expenses		1,533,388	1,984,803	1,242,800	1,473,387	1,919,803	1,177,800
Advance deposit	15	1,400,000	400,000	400,000	1,400,000	400,000	400,000
Other liabilities	24	965,601	1,435,165	1,498,787	965,601	1,435,165	1,498,787
Total liabilities		3,044,300,732	3,274,406,433	3,158,028,470	3,044,188,029	3,274,276,625	3,157,888,618
Equity							
Share capital							
Authorised share capital							
6,500,000 ordinary shares of Baht 100 each		650,000,000	650,000,000	650,000,000	650,000,000	650,000,000	650,000,000
Issued and fully paid-up share capital							
6,500,000 ordinary shares of Baht 100 each		650,000,000	650,000,000	650,000,000	650,000,000	650,000,000	650,000,000
Other components of equity							
Revaluation deficit on available-for-sale investments	9	(2,966,981)	(3,714,997)	(6,090,949)	(2,966,981)	(3,714,997)	(6,090,949)
Retained earnings							
Appropriated							
Legal reserve	25	7,611,550	7,611,550	7,402,900	7,611,550	7,611,550	7,402,900
Unappropriated		110,608,985	98,797,090	110,040,963	109,585,838	97,995,543	109,658,757
Total equity attributable to equity holders							
of the parent company		765,253,554	752,693,643	761,352,914	764,230,407	751,892,096	760,970,708
Non-controlling interests		729	723	710	-	-	-
Total equity		765,254,283	752,694,366	761,353,624	764,230,407	751,892,096	760,970,708
Total liabilities and equity		3,809,555,015	4,027,100,799	3,919,382,094	3,808,418,436	4,026,168,721	3,918,859,326

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

Advance Finance Public Company Limited and its Subsidiary

Statements of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		For the six-month period ended		For the six-month period ended	
		30 June		30 June	
	Note	2013	2012	2013	2012
			(Restated)		(Restated)
		(in Baht)			
Interest income	31	105,373,557	110,748,800	104,958,856	110,366,608
Interest expense	32	69,218,773	77,583,941	69,218,773	77,583,941
Net interest income		36,154,784	33,164,859	35,740,083	32,782,667
Fees and service income	33	9,767,285	4,669,434	9,767,285	4,669,434
Net fees and service income		9,767,285	4,669,434	9,767,285	4,669,434
Gain on investments, net	34	12,006,655	-	12,006,655	-
Dividend income		4,030,431	1,685,000	4,030,431	1,685,000
Other operating income	28	12	6,411,172	67,287	6,478,447
Total operating income		61,959,167	45,930,465	61,611,741	45,615,548
Other operating expenses					
Employees' expenses		24,712,078	24,916,398	24,712,078	24,916,398
Directors' remuneration	28	1,174,996	1,079,999	1,174,996	1,079,999
Premises and equipment expenses		5,083,168	5,508,427	5,083,168	5,508,427
Taxes and duties		3,669,248	4,350,402	3,669,248	4,350,402
Others		7,367,519	7,501,448	7,298,864	7,441,498
Total other operating expenses		42,007,009	43,356,674	41,938,354	43,296,724
Bad debt, doubtful accounts and loss on impairment	35	5,037,388	(47,520)	5,037,388	(47,520)
Profit from operating before income tax expense		14,914,770	2,621,311	14,635,999	2,366,344
Income tax expense	3, 36	3,102,869	385,635	3,045,704	326,993
Net profit		11,811,901	2,235,676	11,590,295	2,039,351

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

Advance Finance Public Company Limited and its Subsidiary

Statements of comprehensive income

		Consolidated		Separate	
		financial statements		financial statements	
		For the six-month period ended		For the six-month period ended	
		30 June		30 June	
	Note	2013	2012	2013	2012
			(Restated)		(Restated)
		(in Baht)			
Other comprehensive income					
Gain on re-measuring					
available-for-sale investments		935,019	249,331	935,019	249,331
Income tax on other comprehensive income	36	(187,003)	(49,866)	(187,003)	(49,866)
Total other comprehensive income		748,016	199,465	748,016	199,465
Total comprehensive income		12,559,917	2,435,141	12,338,311	2,238,816
Net profit attributable to:					
Shareholders of the parent company		11,811,895	2,235,671	11,590,295	2,039,351
Non-controlling interests		6	5	-	-
Net profit for the periods		11,811,901	2,235,676	11,590,295	2,039,351
Total comprehensive income attributable to:					
Shareholders of the parent company		12,559,911	2,435,136	12,338,311	2,238,816
Non-controlling interests		6	5	-	-
Total comprehensive income for the periods		12,559,917	2,435,141	12,338,311	2,238,816
Earnings per share of the parent company					
Basic earnings per share	37	1.82	0.34	1.78	0.31

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

Advance Finance Public Company Limited and its Subsidiary

Statements of changes in equity

Consolidated financial statements								
	Other components of equity	Retained earnings			Total equity attributable to equity holders of the parent company	Non-controlling interests	Total equity	
	Issued and paid-up share capital	Revaluation surplus (deficit) on available-for-sale investments	Legal reserve	Unappropriated (in Baht)				
Note								
For the six-month period ended 30 June 2012								
Balance at 1 January 2012 - as reported	650,000,000	(7,613,687)	7,402,900	103,798,919	753,588,132	710	753,588,842	
Impact from change in accounting policy	-	1,522,738	-	6,242,044	7,764,782	-	7,764,782	
Balance at 1 January 2012 Restated	650,000,000	(6,090,949)	7,402,900	110,040,963	761,352,914	710	761,353,624	
Transactions with owners, recorded directly in equity								
Dividends to owners of the Company	-	-	-	(16,055,000)	(16,055,000)	-	(16,055,000)	
Total distributions to owners of the Company	-	-	-	(16,055,000)	(16,055,000)	-	(16,055,000)	
Total transactions with owners, recorded directly in equity	-	-	-	(16,055,000)	(16,055,000)	-	(16,055,000)	
Comprehensive income for the period								
Net profit	-	-	-	2,235,671	2,235,671	5	2,235,676	
Other comprehensive income	-	199,465	-	-	199,465	-	199,465	
Total comprehensive income for the period	-	199,465	-	2,235,671	2,435,136	5	2,435,141	
Balance at 30 June 2012 (Restated)	650,000,000	(5,891,484)	7,402,900	96,221,634	747,733,050	715	747,733,765	
For the six-month period ended 30 June 2013								
Balance at 1 January 2013 - as reported	650,000,000	(4,643,746)	7,611,550	92,126,846	745,094,650	723	745,095,373	
Impact from change in accounting policy	-	928,749	-	6,670,244	7,598,993	-	7,598,993	
Balance at 1 January 2013 Restated	650,000,000	(3,714,997)	7,611,550	98,797,090	752,693,643	723	752,694,366	
Comprehensive income for the period								
Net profit	-	-	-	11,811,895	11,811,895	6	11,811,901	
Other comprehensive income	-	748,016	-	-	748,016	-	748,016	
Total comprehensive income for the period	-	748,016	-	11,811,895	12,559,911	6	12,559,917	
Balance at 30 June 2013	650,000,000	(2,966,981)	7,611,550	110,608,985	765,253,554	729	765,254,283	

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

Advance Finance Public Company Limited and its Subsidiary

Statements of changes in equity

Separate financial statements

	Note	Other components of equity				Retained earnings		Total equity
		Issued and paid-up share capital	Revaluation surplus (deficit) on available-for-sale investments	Legal reserve (in Baht)	Unappropriated			
For the six-month period ended 30 June 2012								
Balance at 1 January 2012 - as reported		650,000,000	(7,613,687)	7,402,900	103,416,713	753,205,226		
Impact from change in accounting policy	3, 18	-	1,522,738	-	6,242,044	7,764,782		
Balance at 1 January 2012 Restated		650,000,000	(6,090,949)	7,402,900	109,658,757	760,970,708		
Transactions with owners, recorded directly in equity								
Dividends to owners of the Company	26	-	-	-	(16,055,000)	(16,055,000)		
Total distributions to owners of the Company		-	-	-	(16,055,000)	(16,055,000)		
Total transactions with owners, recorded directly in equity		-	-	-	(16,055,000)	(16,055,000)		
Comprehensive income for the period								
Net profit		-	-	-	2,039,351	2,039,351		
Other comprehensive income		-	199,465	-	-	199,465		
Total comprehensive income for the period		-	199,465	-	2,039,351	2,238,816		
Balance at 30 June 2012 (Restated)		650,000,000	(5,891,484)	7,402,900	95,643,108	747,154,524		
For the six-month period ended 30 June 2013								
Balance at 1 January 2013 - as reported		650,000,000	(4,643,746)	7,611,550	91,325,299	744,293,103		
Impact from change in accounting policy	3, 18	-	928,749	-	6,670,244	7,598,993		
Balance at 1 January 2013 Restated		650,000,000	(3,714,997)	7,611,550	97,995,543	751,892,096		
Comprehensive income for the period								
Net profit		-	-	-	11,590,295	11,590,295		
Other comprehensive income		-	748,016	-	-	748,016		
Total comprehensive income for the period		-	748,016	-	11,590,295	12,338,311		
Balance at 30 June 2013		650,000,000	(2,966,981)	7,611,550	109,585,838	764,230,407		

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

Advance Finance Public Company Limited and its Subsidiary

Statements of cash flows

	Consolidated financial statements		Separate financial statements	
	For the six-month period ended 30 June		For the six-month period ended 30 June	
	2013	2012 (Restated)	2013	2012 (Restated)
	(in Baht)			
<i>Cash flows from operating activities</i>				
Profit from operations before income tax expense	14,914,770	2,621,311	14,635,999	2,366,344
<i>Adjustments for</i>				
Depreciation and amortisation	1,626,795	1,310,433	1,619,740	1,310,433
Bad debt and doubtful accounts	5,500,000	1,000,000	5,500,000	1,000,000
Net investment income	(12,006,655)	-	(12,006,655)	-
Impairment of properties foreclosed	1,878,934	-	1,878,934	-
Impairment of other assets	105,817	143,343	105,817	143,343
Employee benefit obligations	1,140,907	1,070,500	1,140,907	1,070,500
Net interest income	(36,154,784)	(33,164,859)	(35,740,083)	(32,782,667)
Dividend income	(4,030,431)	(1,685,000)	(4,030,431)	(1,685,000)
Cash received from interest	105,898,234	110,541,262	105,451,933	110,143,488
Interest paid	(69,539,076)	(71,734,965)	(69,539,076)	(71,734,965)
Cash received from dividend	4,030,431	1,685,000	4,030,431	1,685,000
Income tax paid	(462,443)	(8,509,839)	(393,172)	(8,434,987)
Income from operations before changes in operating assets and liabilities	12,902,499	3,277,186	12,654,344	3,081,489
<i>(Increase) decrease in operating assets</i>				
Intercompany and money market items	(231,341,965)	(671,532,397)	(231,098,810)	(671,333,178)
Loans to customers	(79,715,335)	204,009,575	(79,715,335)	204,009,575
Properties foreclosed	3,216,200	23,373,659	3,216,200	23,373,659
Receivable from Legal Execution Department	(4,398,500)	4,540,500	(4,398,500)	4,540,500
Accrued service fee	3,439,066	(301,000)	3,439,066	(301,000)
Deposit	(1,198)	(21,343)	(1,198)	(21,343)
Other assets	(2,410,641)	(498,218)	(2,410,641)	(505,718)
<i>Increase (decrease) in operating liabilities</i>				
Deposits	119,636,697	623,080,932	119,636,697	623,080,932
Intercompany and money market items	(305,000,000)	(34,884,644)	(305,000,000)	(34,884,644)
Short-term debts issued and borrowings	(200,000)	47,515,622	(200,000)	47,515,622
Withholding tax payable	(699,868)	(1,443,503)	(699,868)	(1,443,503)
Accrued expenses	(446,416)	141,062	(446,416)	141,062
Advance deposit	1,000,000	-	1,000,000	-
Other liabilities	(474,564)	(386,461)	(469,564)	(382,483)
Net cash (used in) provided by operating activities	(484,494,025)	196,870,970	(484,494,025)	196,870,970

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

Advance Finance Public Company Limited and its Subsidiary

Statements of cash flows

	Note	Consolidated		Separate	
		financial statements		financial statements	
		For the six-month period ended 30 June		For the six-month period ended 30 June	
		2013	2012	2013	2012
			(Restated)		(Restated)
(in Baht)					
Cash flows from investing activities					
Purchase of held-to-maturity debt securities		(10,480,000,000)	(11,200,000,000)	(10,480,000,000)	(11,200,000,000)
Proceeds from redemption of					
held-to-maturity debt securities		11,000,000,000	11,000,000,000	11,000,000,000	11,000,000,000
Purchase of available for sale securities		(98,628,485)	-	(98,628,485)	-
Sale of available for sale securities		102,747,644	-	102,747,644	-
Sale of general investments		9,259,011	-	9,259,011	-
Purchase of equipments		(276,960)	(8,610,928)	(276,960)	(8,610,928)
Purchase of intangible assets		(119,246)	(226,820)	(119,246)	(226,820)
Net cash provided by (used in) investing activities		532,981,964	(208,837,748)	532,981,964	(208,837,748)
Cash flows from financing activities					
Proceeds from long-term debts issued and borrowings		-	30,021,778	-	30,021,778
Repayment of long-term debts issued and borrowings		(48,487,939)	(2,000,000)	(48,487,939)	(2,000,000)
Dividend paid to equity holders of the Company	26	-	(16,055,000)	-	(16,055,000)
Net cash (used in) provided by financing activities		(48,487,939)	11,966,778	(48,487,939)	11,966,778
Net cash		-	-	-	-
Cash at 1 January		35,000	35,000	30,000	30,000
Cash at 30 June		35,000	35,000	30,000	30,000

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Changes in accounting policies
4	Significant accounting policies
5	Risk management
6	Fair value of financial instruments
7	Maintenance of capital fund
8	Intercompany and money market items (assets)
9	Investments, net
10	Investment in subsidiary
11	Loans to customers and accrued interest receivables, net
12	Disclosure of the statements of cash flows for the Asset Management Company ("AMC")
13	Troubled debt restructuring
14	Allowance for doubtful accounts
15	Properties for sale
16	Equipment, net
17	Intangible assets, net
18	Deferred tax
19	Other assets, net
20	Deposits
21	Intercompany and money market items (liabilities)
22	Debts issued and borrowings
23	Employee benefit obligations
24	Other liabilities
25	Reserve
26	Dividends
27	Contingencies
28	Related party transactions
29	Long-term leases and service agreements
30	Segment information
31	Interest income
32	Interest expenses
33	Fees and service income
34	Gain on investment, net
35	Bad debt, doubtful accounts and loss on impairment
36	Income tax expense
37	Basic earnings per share
38	Thai Financial Reporting Standards (TFRS) not yet adopt

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai statutory and regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements and were approved and authorized for issue by the Board of Directors on 28 August 2013.

1 General information

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

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

The Company’s major shareholders during the financial year were Mrs. Daranee Huachai (10% shareholding), Mrs. Kittivalai Charoensombat-amorn (10% shareholding), and IFS Capital Limited (10% shareholding) which was incorporated in the Republic of Singapore.

Detail of the Company’s subsidiary as at 30 June 2013 and 31 December 2012 are given in notes 10 and 28.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared in accordance with Thai Accounting Standards (TAS) No. 34 (revised 2009) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (“FAP”), and presented as prescribed by the Bank of Thailand (BoT) notification number Sor Nor Sor 11/2553, directive dated 3 December 2010, regarding “The preparation and announcement of the financial statements of commercial banks and holding companies which are parent company of group of companies offering financial services”.

The FAP has issued the following new and revised TFRS and Announcements relevant to the Group’s operations and effective for accounting periods beginning on or after 1 January 2013:

TFRS/Announcement	Topic
TAS 12	Income Taxes
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments
FAP Announcement 34/2555	Accounting guidance for Transfers of Financial Assets

The adoption of these new and revised TFRS and FAP Announcements has resulted in changes in the Group’s accounting policies. The effects of these changes are disclosed in note 3.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

In addition to the above new and revised TFRS and Announcements, as at 30 June 2013 the FAP had issued a number of other new and revised TFRS and interpretations which are effective for financial statements beginning on or after 1 January 2014 and have not been adopted in the preparation of these interim financial statements. Those new interpretations that are relevant to the Group's operations are disclosed in note 38.

Except for the changes in accounting policy discussed in note 3, the accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2012.

(b) *Basis of measurement*

The interim financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) *Presentation currency*

The interim financial statements are presented in Thai Baht, which is the Group's functional currency. All financial information is presented in Thai Baht and has been rounded in the notes to the financial statements to the nearest Baht unless otherwise stated.

(d) *Use of estimates and judgements*

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Significant accounting estimates and judgements are as follows:

Measurement of defined benefit obligations

The calculation of the defined benefit obligations is sensitive to the assumptions on discount rate and future salary increases as set out in note 23.

Allowance for doubtful accounts for loans to customers

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

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 exercised judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and change in value of long-term financial instruments.

Impairment of equity investments

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

Assessment of risk and rewards

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

3 Changes in accounting policies

(a) Overview

From 1 January 2013, consequent to the adoption of new and revised TFRS and FAP Announcements as set out in note 2, the Group has changed its accounting policies in the following areas:

- Accounting for income tax
- Accounting for the effects of changes in foreign exchange rates
- Presentation of information on operating segments
- Accounting guidance for Transfers of Financial Assets

Details of the new accounting policies adopted by the Group are included in notes 3(b) to 3(e) below. Other new and revised TFRS did not have any impact on the accounting policies, financial position or performance of the Group.

(b) Accounting for income tax

The principal change introduced by TAS 12 is the requirement to account for deferred tax liabilities and assets in the financial statements. Deferred tax liabilities and assets are the amounts of income taxes payable and recoverable, respectively, in future periods in respect of temporary differences between the carrying amount of the liability or asset in the statement of financial position and the amount attributed to that liability or asset for tax purposes; and the carryforward of unused tax losses. The accounting policy for deferred tax is described in note 4(d).

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

The Group adopted TAS 12 with effect from 1 January 2013. The effects of the change are recognised retrospectively in the financial statements. The impact of the change on the financial statements is as follows:

	Consolidated and separate financial statements		
	30 June 2013	31 December 2012	1 January 2012
<i>Statement of financial position as at</i>			
	<i>(in thousand Baht)</i>		
Increase in deferred tax assets	7,795	7,599	7,765
Decrease in revaluation deficit	(742)	(929)	(1,523)
Increase in retained earnings	7,053	6,670	6,242
Increase in shareholders' equity	7,795	7,599	7,765
Increase in total equity	7,795	7,599	7,765

	Consolidated and separate financial statements	
	2013	2012
<i>Statement of comprehensive income for the six-month period ended 30 June</i>		
	<i>(in thousand Baht)</i>	
Decrease in income tax expense	(383)	(414)
Increase in profit for the period	383	414
Increase in earnings per share		
- Basic earnings per share	0.06	0.06

(c) Accounting for the effects of changes in foreign exchange rates

From 1 January 2013, the Group has adopted TAS 21 Accounting for the effects of changes in foreign exchange rates.

The principal change introduced by TAS 21 is the introduction of the concept of functional currency, which is defined as the currency of the primary economic environment in which the entity operates. TAS 21 requires the entity to determine its functional currency and translate foreign currency items into its functional currency, reporting the effects of such translation in accordance with the provisions of TAS 21. Foreign currencies are defined by TAS 21 as all currencies other than the entity's functional currency.

Management has determined that the functional currency of the Company is Thai Baht and that the adoption of TAS 21 from 1 January 2013 has not had a significant impact on the Group's reported assets, liabilities or retained earnings.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

(d) Presentation of information on operating segments

From 1 January 2013, the Group has adopted TFRS 8 Operating Segments. The change in policy only impacts presentational aspects and has no impact on the Group's reported assets, liabilities, results or earnings per share.

TFRS 8 introduces the "management approach" to segment reporting. It requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to those segments. Previously the Group presented segment information in respect of its business and geographical segments in accordance with TAS 14 Segment Reporting.

The change in basis of presentation and disclosure of segment information has had no significant effect on the segment information reported in the Company's financial statements.

(e) Accounting guidance for transfers of financial assets

The FAP has issued accounting guidance for transfers of financial assets in accordance with international accounting standards. The classification of receivables purchased by or transferred to be classified as loans, unless the Company has the intention to sell the debt in the future to be classified as investments, was adopted by the Company for the reporting period beginning on 1 January 2013 onwards. The change in policy only impacts presentational aspects and has no impact on the Group's reported assets, liabilities, results or earnings per share. There were no such transactions in the current period.

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 3, which addresses changes in accounting policies.

(a) Basis of consolidation

The consolidated financial statements relate to the Company and its subsidiary (together referred to as the "Group").

Business combinations

The Group applies the acquisition method for all business combinations other than those with entities under common control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Revenue

Interest and discounts on loans to customers

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

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

Interest and dividend on investments

Interest on investment is recognized on an accrual basis. Dividends on investments are recognised in the statement of comprehensive income when dividends are declared.

Fees and service charges

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

(c) Expenses

Finance costs

Interest expenses are charged to the statement of comprehensive income on an accrual basis.

Operating leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Determining whether an arrangement contains a lease

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

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

(d) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

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

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities for deferred tax are adequate for all tax years based on its assessment of many factors, including interpretations of tax law and prior experience and a series of judgements about future events, such changes to judgements on tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

(e) Investments

Investments in debt and equity securities

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

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

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

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

Disposal of investments

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

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

Investments in subsidiary

Investments in subsidiary in the separate financial statements of the Company are accounted for using the cost method less impairment losses (if any). Loss on impairment is recognised in the statement of comprehensive income.

(f) Loans to customers

Loans to customers are shown exclusive of accrued interest receivable.

(g) Securities business receivables

Securities business receivables comprised of debtors who purchased securities which could not make payment within the due date.

(h) Allowance for doubtful accounts

The Group provides allowance for doubtful accounts in accordance with the notifications of the Bank of Thailand "BoT" based on an evaluation of the current status of the debtors, taking into consideration the recovery risk and the value of collateral.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Minimum requirement of allowance for doubtful accounts is determined based on the BoT's notification dated 3 August 2008, "Classification and allowance criteria of the financial institution". The Group classified their loan portfolios into six categories, primarily based on the non-accrual period. For loans classified as pass and special-mention, the calculation of allowances for doubtful accounts is based on the regulatory minimum percentage requirement, taking into consideration the collateral value, where the collateral type and date of the latest appraisal are qualifying factors. For loans classified as sub-standard, doubtful and doubtful of loss, the allowances on these accounts will be set at 100 percent for the difference between the outstanding book value of the debt and the present value of future cash flows expected to be received or the expected proceeds from the disposal of collateral in accordance with the BoT's regulations. The discount interest rate and the period of collateral disposal are set with reference to BoT's notifications.

Any additional allowances for doubtful accounts are charged to bad debts and doubtful accounts in the statements of comprehensive income.

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

Bad debts recovery is recognised as income and is presented net of bad debt and doubtful accounts in the statements of comprehensive income.

(i) *Troubled debt restructuring*

The Group records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No.104 (revised 2002) *Accounting for Troubled Debts Restructuring*. If an repayment of debt is received through the transfer of property, financial instruments, or equity in the debtor is received as a result of a debt to equity swap, the Group records the assets received at their fair value net of estimated disposal expenses not exceeding the carrying value of debt and unearned interest to which the Company is legally entitled. Losses arising from differences between the carrying value of debt and the fair value of the assets are recorded in the statements of comprehensive income, taking into account existing allowance for doubtful accounts.

Where restructuring a loan involves modification of its terms, the Group will record the loss arising from the calculation of the present value of the future cash flows expected to be received from those customers by using the Minimum Loan Rate (MLR) at the time of restructuring in discounting. The difference between the present value of the future cash flows expected to be received and the outstanding balances of loans is recorded as a loss from restructuring in the statement of comprehensive income according to the amounts received over the remaining period of the debt restructuring contracts.

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

(j) *Properties for sale*

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

Loss on impairment is charged to the statement of comprehensive income. Gains or losses on the sales of properties for sale are recognised as other operating income or expense upon disposal.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

(k) *Equipment*

Recognition and measurement

Owned assets

Equipments are stated at cost less accumulated depreciation and impairment losses.

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

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

Gains and losses on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment, and is recognised net within other income in profit or loss.

Subsequent costs

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

Depreciation

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

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of equipments. The estimated useful lives are as follows:

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

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

(l) *Intangible assets*

Intangible assets that are acquired by the Group, which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Amortisation

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

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

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

(m) Foreign currencies

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

(n) Impairment

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

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

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

Calculation of recoverable amount

The recoverable amount of held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of the estimated future cash flows discounted at the original effective interest rate. Receivables with a short duration are not discounted.

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

The recoverable amount of non-financial assets is the greater of the assets' value in use and fair value less costs to sell. In assessing 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized to statement of comprehensive income. For financial assets carried at amortised cost and available-for-sale financial assets that are equity securities and debt securities, the reversal is recognised in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

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

(o) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan where the Group pays fixed contributions into a separate entity (fund) and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee's expense in the statement of comprehensive income in the periods during which services are rendered by employees.

The Group established contributory provident fund for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly by the employees at rates ranging 5% of their basic salaries and by the Company at 5% of the employees' basic salaries. The provident fund is registered with the Ministry of Finance as juristic entities and is managed by a licensed fund manager.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and adjust for any past service costs. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in the statement of comprehensive income.

(p) Provisions

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

(q) Earnings per share

The Group presents basic earnings per share which is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

5 Risk management

Financial risk management policies

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

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

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

Credit risk

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

The Group has disclosed significant concentrations of credit risk in note 11 to the financial statements.

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

The Group has implemented credit risk management processes to measure and control credit risk. For retail customers, the Group used credit scoring as a tool to determine an appropriate return given the risk level of each loan.

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

Market risk

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

1. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest-rates and it will affect the result of the Group's operation and cash flows.

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

As at 30 June 2013, financial assets and financial liabilities classified by type of interest rate are as follows:

Consolidated financial statements				
	Floating interest rate	Fixed interest rate (in million Baht)	Non - interest bearing	Total
Financial assets				
Intercompany and money market items	58	686	27	771
Investments, net	-	332	95	427
Loans to customers	2,446	90	-	2,536
Accrued interest receivables	-	-	5	5
Total	2,504	1,108	127	3,739
Financial liabilities				
Deposits	-	2,249	-	2,249
Intercompany and money market items	-	661	-	661
Debts issued and borrowings	-	86	-	86
Total	-	2,996	-	2,996

Separate financial statements				
	Floating interest rate	Fixed interest rate (in million Baht)	Non - interest bearing	Total
Financial assets				
Intercompany and money market items	58	660	27	745
Investments, net	-	332	95	427
Loans to customers	2,446	90	-	2,536
Accrued interest receivables	-	-	5	5
Total	2,504	1,082	127	3,713
Financial liabilities				
Deposits	-	2,249	-	2,249
Intercompany and money market items	-	661	-	661
Debts issued and borrowings	-	86	-	86
Total	-	2,996	-	2,996

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

As at 31 December 2012, financial assets and financial liabilities classified by type of interest rate are as follows:

Consolidated financial statements				
	Floating interest rate	Fixed interest rate (in million Baht)	Non - interest bearing	Total
<i>Financial assets</i>				
Intercompany and money market items	43	475	22	540
Investments, net	-	851	95	946
Loans to customers	2,369	90	-	2,459
Accrued interest receivables	-	-	6	6
Total	2,412	1,416	123	3,951
<i>Financial liabilities</i>				
Deposits	-	2,129	-	2,129
Intercompany and money market items	-	966	-	966
Debts issued and borrowings	-	135	-	135
Total	-	3,230	-	3,230
Separate financial statements				
	Floating interest rate	Fixed interest rate (in million Baht)	Non - interest bearing	Total
<i>Financial assets</i>				
Intercompany and money market items	43	450	21	514
Investments, net	-	851	95	946
Loans to customers	2,369	90	-	2,459
Accrued interest receivables	-	-	6	6
Total	2,412	1,391	122	3,925
<i>Financial liabilities</i>				
Deposits	-	2,129	-	2,129
Intercompany and money market items	-	966	-	966
Debts issued and borrowings	-	135	-	135
Total	-	3,230	-	3,230

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

The financial assets and liabilities classified by the earlier of maturity or interest repricing as at 30 June 2013 and 31 December 2012 are as follows:

Consolidated financial statements 30 June 2013

	Average rate (%)	0-3 months	3-12 months	1-5 years	Over 5 years (in million Baht)	Non- Interest bearing	Stop accrual	Total
Financial assets								
Intercompany and money market items	1.93	744	-	-	-	27	-	771
Investments, net	2.50	200	51	81	-	95	-	427
Loans to customers	8.70	1,776	45	-	-	-	715	2,536
Accrued interest receivables	-	-	-	-	-	5	-	5
Total		2,720	96	81	-	127	715	3,739
Financial liabilities								
Deposits	3.60	759	1,023	467	-	-	-	2,249
Intercompany and money market items	4.37	142	119	400	-	-	-	661
Debts issued and borrowings	5.00	31	42	13	-	-	-	86
Total		932	1,184	880	-	-	-	2,996

Consolidated financial statements 31 December 2012

	Average rate (%)	0-3 months	3-12 months	1-5 years	Over 5 years (in million Baht)	Non- Interest bearing	Stop accrual	Total
Financial assets								
Intercompany and money market items	2.18	518	-	-	-	22	-	540
Investments, net	3.05	800	-	51	-	95	-	946
Loans to customers	8.90	1,839	7	-	-	-	613	2,459
Accrued interest receivables	-	-	-	-	-	6	-	6
Total		3,157	7	51	-	123	613	3,951
Financial liabilities								
Deposits	3.71	591	1,188	350	-	-	-	2,129
Intercompany and money market items	4.29	-	556	410	-	-	-	966
Debts issued and borrowings	4.76	34	58	43	-	-	-	135
Total		625	1,802	803	-	-	-	3,230

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Separate financial statements

30 June 2013

	Average rate (%)	0-3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Stop accrual	Total
<i>(in million Baht)</i>								
Financial assets								
Intercompany and money market items	1.89	718	-	-	-	27	-	745
Investments, net	2.50	200	51	81	-	95	715	427
Loans to customers	8.70	1,776	45	-	-	-	-	2,536
Accrued interest receivables	-	-	-	-	-	5	-	5
Total		2,694	96	81	-	127	715	3,713
Financial liabilities								
Deposits	3.60	759	1,023	467	-	-	-	2,249
Intercompany and money market items	4.37	142	119	400	-	-	-	661
Debts issued and borrowings	5.00	31	42	13	-	-	-	86
Total		932	1,184	880	-	-	-	2,996

Separate financial statements

31 December 2012

	Average rate (%)	0-3 months	3-12 months	1-5 years	Over 5 years	Non- Interest bearing	Stop accrual	Total
<i>(in million Baht)</i>								
Financial assets								
Intercompany and money market items	2.11	493	-	-	-	21	-	514
Investments, net	3.05	800	-	51	-	95	-	946
Loans to customers	8.90	1,839	7	-	-	-	613	2,459
Accrued interest receivables	-	-	-	-	-	6	-	6
Total		3,132	7	51	-	122	613	3,925
Financial liabilities								
Deposits	3.71	591	1,188	350	-	-	-	2,129
Intercompany and money market items	4.29	-	556	410	-	-	-	966
Debts issued and borrowings	4.76	34	58	43	-	-	-	135
Total		625	1,802	803	-	-	-	3,230

2. Foreign exchange risk

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

As at 30 June 2013 and 31 December 2012, the Group has no material financial instruments in foreign currencies.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

3. Equity position risk

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

The Group's policy is not to increase its equity investments.

Liquidity risk

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

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

A maturity analysis of financial assets and liabilities as 30 June 2013 and 31 December 2012 are as follows:

Consolidated financial statements								
30 June 2013								
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Stop accrual	Total
(in million Baht)								
Financial assets								
Intercompany and money market items	58	686	-	-	-	27	-	771
Investments, net	-	200	51	81	-	95	-	427
Loans to customers	-	115	256	807	643	-	715	2,536
Accrued interest receivables	-	5	-	-	-	-	-	5
Total	58	1,006	307	889	643	122	715	3,739
Financial liabilities								
Deposits	-	759	1,023	467	-	-	-	2,249
Intercompany and money market items	-	142	119	400	-	-	-	661
Debts issued and borrowings	-	31	42	13	-	-	-	86
Total	-	932	1,184	880	-	-	-	2,996

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Consolidated financial statements

31 December 2012

	At call	0-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Stop accrual	Total
<i>(in million Baht)</i>								
Financial assets								
Intercompany and money								
market items	43	475	-	-	-	22	-	540
Investments, net	-	800	-	51	-	95	-	946
Loans to customers	-	88	528	721	509	-	613	2,459
Accrued interest receivables	-	6	-	-	-	-	-	6
Total	43	1,369	528	772	509	117	613	3,951
Financial liabilities								
Deposits	-	591	1,188	350	-	-	-	2,129
Intercompany and money								
market items	-	-	556	410	-	-	-	966
Debts issued and borrowings	-	34	58	43	-	-	-	135
Total	-	625	1,802	803	-	-	-	3,230

Separate financial statements

30 June 2013

	At call	0-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Stop accrual	Total
<i>(in million Baht)</i>								
Financial assets								
Intercompany and money								
market items	58	660	-	-	-	27	-	745
Investments, net	-	200	51	81	-	95	-	427
Loans to customers	-	115	256	807	643	-	715	2,536
Accrued interest receivables	-	5	-	-	-	-	-	5
Total	58	980	307	888	643	122	715	3,713
Financial liabilities								
Deposits	-	759	1,023	467	-	-	-	2,249
Intercompany and money								
market items	-	142	119	400	-	-	-	661
Debts issued and borrowings	-	31	42	13	-	-	-	86
Total	-	932	1,184	880	-	-	-	2,996

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

Separate financial statements								
31 December 2012								
	At call	0-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Stop accrual	Total
(in million Baht)								
Financial assets								
Intercompany and money market items	43	450	-	-	-	21	-	515
Investments, net	-	800	-	51	-	95	-	946
Loans to customers	-	88	528	721	509	-	613	2,459
Accrued interest receivables	-	6	-	-	-	-	-	6
Total	43	1,344	528	772	509	116	613	3,925
Financial liabilities								
Deposits	-	591	1,188	350	-	-	-	2,129
Intercompany and money market items	-	-	556	410	-	-	-	966
Debts issued and borrowings	-	34	58	43	-	-	-	135
Total	-	625	1,802	803	-	-	-	3,230

6 Fair value of financial instruments

The fair value is the estimated value that the Group could receive from the sale of financial assets, or the estimated cost of redeeming their financial liabilities, and the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

As at 30 June 2013 and 31 December 2012, a summary of book value and fair value of financial instruments is as follows:

Consolidated financial statements			
30 June 2013		31 December 2012	
Book value	Fair value	Book value	Fair value
(in million Baht)			
Financial assets			
Intercompany and money market items	771	771	540
Investments, net	427	427	946
Loans to customers and accrued interest receivables, net	2,400	2,400	2,328
Total	3,598	3,598	3,814
Financial liabilities			
Deposits	2,249	2,255	2,129
Intercompany and money market items	661	669	966
Debts issued and borrowings	86	87	135
Total	2,996	3,011	3,230

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

	Separate financial statements			
	30 June 2013		31 December 2012	
	Book value	Fair value	Book value	Fair value
	<i>(in million Baht)</i>			
Financial assets				
Intercompany and money market items	745	745	514	514
Investments, net	427	427	946	948
Loans to customers and accrued interest receivables, net	2,400	2,400	2,328	2,328
Total	3,572	3,572	3,788	3,790
Financial liabilities				
Deposits	2,249	2,255	2,129	2,134
Intercompany and money market items	661	669	966	975
Debts issued and borrowings	86	87	135	136
Total	2,996	3,011	3,230	3,245

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

Interbank and money market items (assets)	The carrying amounts presented in statement of financial position approximate at their fair value since the financial instruments are predominantly subject to market interest rates.
Available-for-sale and held-to-maturity securities	Fair values for securities are based on estimated market prices as described in note 4 (e).
General investments	Fair values are based on cost, net of impairment.
Loans to customers and accrued interest receivable	- Loans presented in statements of financial positions approximate at their fair value since most loans use floating interest rate. - Accrued interest receivable in statements of financial positions approximates at fair value.
Deposits, intercompany and money market items (liabilities) and debts issued and borrowings	- The carrying amounts presented in statements of financial positions of debts issued and borrowings at call approximate at their fair values. - Fair values of other borrowings are estimated using discounted cash flow analyses based on current interest rates for similar types of borrowing arrangements.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

7 Maintenance of capital fund

The Group maintains its capital fund in accordance with the Financial Institution Business Act B.E. 2551 as follows:

	Separate financial statements	
	30 June 2013	31 December 2012
	(in Baht)	
Tier 1 Capital		
Issued and fully paid share capital	650,000,000	650,000,000
Legal reserve	7,611,550	7,402,900
Net income after appropriation	97,995,543	87,361,713
Less issued and fully paid share capital	(7,419,600)	(7,598,993)
Total Tier 1 Capital	748,187,493	737,165,620
Tier 2 Capital		
Provision for assets classified as pass	318,278	438,497
Total Tier 2 Capital	318,278	438,497
Total Tier 1 and Tier 2 Capital	748,505,771	737,604,117
Less revaluation deficit on equity securities - available-for-sale	(2,966,981)	(4,643,746)
Total capital requirements	745,538,790	732,960,371

	Separate financial statements			
	30 June 2013		31 December 2012	
	The Company	Requirement (%)	The Company	Requirement
Capital ratio				
Tier 1 capital to risk weighted assets	28.79	4.00	30.47	4.00
Total capital to risk weighted assets	28.68	8.00	30.29	8.00

Disclosures of capital maintenance information are as follows:

Location of disclosure	The Company's website under Investor Relations section at http://www.advancefin.com/en/investor_financial_highlight.aspx
Date of disclosure	Within 4 months after the year end date as indicated in the notification
Information as of	30 June 2013

Capital management

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

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

8 Intercompany and money market items (assets)

Consolidated financial statements						
		30 June 2013		31 December 2012		
	Demand	Time	Total	Demand	Time	Total
	<i>(in Baht)</i>					
Domestic items:						
Bank of Thailand	4,141,316	660,000,000	664,141,316	9,548,230	450,000,000	459,548,230
Commercial banks	81,098,799	-	81,098,799	54,791,758	-	54,791,758
Other financial institutions	-	25,441,838	25,441,838	-	25,000,000	25,000,000
Total	85,240,115	685,441,838	770,681,953	64,339,988	475,000,000	539,339,988
Add accrued interest receivables	5,804	365,386	371,190	6,892	399,452	406,344
Total	85,245,919	685,807,224	771,053,143	64,346,880	475,399,452	539,746,332

Separate financial statements						
		30 June 2013		31 December 2012		
	Demand	Time	Total	Demand	Time	Total
	<i>(in Baht)</i>					
Domestic items:						
Bank of Thailand	4,141,316	660,000,000	664,141,316	9,548,230	450,000,000	459,548,230
Commercial banks	80,599,377	-	80,599,377	54,093,653	-	54,093,653
Total	84,740,693	660,000,000	744,740,693	63,641,883	450,000,000	513,641,883
Add accrued interest receivables	5,804	108,493	114,297	6,892	110,959	117,851
Total	84,746,497	660,108,493	744,854,990	63,648,775	450,110,959	513,759,734

9 Investments, net

As at 30 June 2013 and 31 December 2012, the Group classified Investments as follows:

Consolidated and separate financial statements		
	30 June 2013	31 December 2012
	Fair value	Fair value
	<i>(in Baht)</i>	
1. Available-for-sale securities		
Domestic marketable equity securities	94,941,704	95,356,254
Total	94,941,704	95,356,254

Consolidated and separate financial statements		
	30 June 2013	31 December 2012
	Cost/amortised cost	Cost/amortised cost
	<i>(in Baht)</i>	
2. Held-to-maturity debt securities		
Government and state enterprise securities	281,398,267	851,480,253
Corporate	50,179,115	-
Total	331,577,382	851,480,253

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	Cost	Cost
	<i>(in Baht)</i>	
3. General investments		
Domestic non-marketable equity securities	7,820,000	8,922,856
Less allowance for impairment	(7,820,000)	(8,922,856)
Total	-	-
Total investments, net	426,519,086	946,836,507

As at 30 June 2013 and 31 December 2012, debt securities can be classified by the remaining period to maturity as follow:

	Consolidated and separate financial statements		
	30 June 2013		
		Maturity	
	Within 1 year	1-5 years	Total
		<i>(in Baht)</i>	
Held-to-maturity debt securities			
Government and			
state enterprise securities	250,995,097	30,403,170	281,398,267
Corporate	-	50,179,115	50,179,115
Total	250,995,097	80,582,285	331,577,382

	Consolidated and separate financial statements		
	31 December 2012		
		Maturity	
	Within 1 year	1-5 years	Total
		<i>(in Baht)</i>	
Held-to-maturity debt securities			
Government and			
state enterprise securities	799,761,785	51,718,468	851,480,253
Total	799,761,785	51,718,468	851,480,253

The revaluation deficit on available-of-sale investments as of 30 June 2013 and 31 December 2012 is as follows:

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	<i>(in Baht)</i>	
Revaluation deficit on available-for-sale investments	(3,774,377)	(4,871,044)
Revaluation surplus on available-for-sale investments	65,650	227,298
Revaluation deficit on available-for-sale investments	(3,708,727)	(4,643,746)
Deferred tax charged	741,746	928,749
Revaluation deficit on available-for-sale investments, net	(2,966,981)	(3,714,997)

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

10 Investment in subsidiary

Investment in subsidiary as at 30 June 2013 and 31 December 2012 is as follows:

Name of subsidiary	Type of business	Separated financial statements					
		Type of investment securities		Ownership interest		Investment value Cost method	
		30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
		(in Baht)		(%)		(in Baht)	
AAMC Asset Management Company Limited.	Management of non-performing assets purchased or transferred from financial institutions	Common Stock	Common Stock	99.99	99.99	24,999,300	24,999,300
Total investment in subsidiary						<u>24,999,300</u>	<u>24,999,300</u>

A subsidiary was incorporated in Thailand and as at 30 June 2013, the subsidiary has not yet commenced its operations.

11 Loans to customers and accrued interest receivables, net

(a) Classified by types of loans

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	(in Baht)	
Loans	2,536,030,831	2,458,265,242
Securities business receivables	-	830,179
Total loans	<u>2,536,030,831</u>	<u>2,459,095,421</u>
Add accrued interest receivables	<u>5,165,096</u>	<u>5,518,544</u>
Total loans and accrued interest receivables	<u>2,541,195,927</u>	<u>2,464,613,965</u>
Less allowance for doubtful accounts		
1. allowance established at BoT regulations		
- Individual Approach	(132,534,431)	(122,487,711)
2. allowance established in excess	<u>(8,344,936)</u>	<u>(13,721,835)</u>
Total loans to customers and accrued interest receivables, net	<u>2,400,316,560</u>	<u>2,328,404,419</u>

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

As at 31 December 2012, the securities business receivables were fully provided. The Company has written-off these receivables in the period 2013.

As at 30 June 2013, the Group had non-accrual loans, gross, based on the accrual basis of Baht 715 million (31 December 2012: Baht 613 million).

(b) *Classified by currencies and residence of debtors*

As at 30 June 2013 and 31 December 2012, loans to customers were domestic and denominated entirely in Thai Baht.

(c) *Classified by type of business and by loan classification*

Consolidated and separate financial statements						
30 June 2013						
	Pass	Special mention	Sub- standard (in Baht)	Doubtful	Doubtful of loss	Total
Agriculture and mining						
Manufacturing and Commerce	84,478,257	-	-	-	79,694,671	164,172,928
Property development and construction	737,923,164	-	189,017,881	-	125,730,754	1,052,671,799
Infrastructure and Services	434,454,971	85,150,048	-	104,483,096	131,742,500	755,830,615
Housing loans	421,171,788	11,524,753	15,610,751	-	43,838,173	492,145,465
Others	71,210,024	-	-	-	-	71,210,024
Total	1,749,238,204	96,674,801	204,628,632	104,483,096	381,006,098	2,536,030,831

Consolidated and separate financial statements						
31 December 2012						
	Pass	Special mention	Sub- standard (in Baht)	Doubtful	Doubtful of loss	Total
Agriculture and mining	-	-	-	-	-	-
Manufacturing and Commerce	81,007,410	-	-	-	79,694,672	160,702,082
Property development and construction	795,718,389	-	-	-	125,730,754	921,449,143
Infrastructure and Services	460,731,191	-	129,213,791	-	105,794,551	695,739,533
Housing loans	426,309,566	4,641,737	25,947,949	114,500,000	51,115,821	622,515,073
Others	43,640,923	-	14,218,488	-	830,179	58,689,590
Total	1,807,407,479	4,641,737	169,380,228	114,500,000	363,165,977	2,459,095,421

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

(d) *Classified by loan classification*

As at 30 June 2013 and 31 December 2012, the Group has classified loans and accrued interest receivable in accordance with the Bank of Thailand's guidelines as follows:

Consolidated and separate financial statements

30 June 2013

	Loans and accrued interest receivables (in Baht)	Total debts net of collateral*	% used for calculating the allowance (%)	Allowance for doubtful accounts (in Baht)
1. Minimum allowance of BoT's Regulation				
- Pass	1,753,498,616	31,827,805	1	318,278
- Special mention	96,721,602	-	2	-
- Sub-standard	205,486,515	2,689,302	100	2,689,302
- Doubtful	104,483,096	-	100	-
- Doubtful of loss	381,006,098	129,526,851	100	129,526,851
Total	2,541,195,927	164,043,958		132,534,431
2. Allowance established in excess				8,344,936
Total				140,879,367

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

Consolidated and separate financial statements

31 December 2012

	Loans and accrued interest receivables (in Baht)	Total debts net of collateral*	% used for calculating the allowance (%)	Allowance for doubtful accounts (in Baht)
1. Minimum allowance of BoT's Regulation				
- Pass	1,811,652,689	43,849,749	1	438,497
- Special mention	4,670,981	-	2	-
- Sub-standard	170,624,318	2,537,127	100	2,537,127
- Doubtful	114,500,000	-	100	-
- Doubtful of loss	363,165,977	119,512,087	100	119,512,087
Total	2,464,613,965	165,898,963		122,487,711
2. Allowance established in excess				13,721,835
Total				136,209,546

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

(e) Non-performing loans (NPLs)

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

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

As of 30 June 2013 and 31 December 2012 the Group's non-performing loans, gross, can be summarized as follows:

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	(in Baht)	
Non-performing loans - gross	690,117,826	647,046,205
Total loans (including loans to financial institutions)	2,536,030,831	2,459,095,421
Ratio of NPL gross	27.21	26.31

As of 30 June 2013 and 31 December 2012 the Group's non-performing loans, net, can be summarized as follows:

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	(in Baht)	
Non-performing loans - net	557,901,673	524,996,991
Total loans including loans to financial institutions, net of allowances for doubtful accounts of NPL	2,403,814,678	2,337,046,207
Ratio of NPL net	23.21	22.46

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

12 Disclosure of the statements of cash flows for the Asset Management Company (“AMC”)

In accordance with the Bank of Thailand’s notification, the Company is required to disclose the statements of cash flows of the AMC in the notes to the financial statements. The statements of cash flows of AAMC Asset Management Company Limited are as follows:

AAMC Asset Management Company Limited
Statements of cash flows

	For the six-month periods ended 30 June	
	2013	2012
	(in Baht)	
<i>Cash flows from operating activities</i>		
Profit from operating before income tax expense	278,771	254,967
<i>Adjustments for</i>		
Write-off withholding tax asset	7,055	-
Net interest income	(414,701)	(382,192)
Interest received	446,301	397,774
Income tax paid	(69,271)	(78,830)
Income from operations before changes in operating assets and liabilities	248,155	191,719
<i>(Increase)Decrease in operating assets</i>		
Intercompany and money market items	(243,155)	(199,219)
<i>Increase (decrease) in operating liabilities</i>		
Accrued expenses	(5,000)	7,500
Net cash from operating activities	-	-
Net cash	-	-
Cash at 1 January	5,000	5,000
Cash at 30 June	5,000	5,000

13 Troubled debt restructuring

During the six-month periods ended 30 June 2013 and 2012, there was no loss from troubled debt restructuring.

The average term of troubled debt restructuring as of 30 June 2013 is 0.7 years (31 December 2012: 2.2 years).

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

As at 30 June 2013 and 31 December 2012, the outstanding balances of the Group's restructured debtors which are under the installment payment period in compliance with restructuring conditions are classified as follow:

Consolidated and separate financial statements				
30 June 2013			31 December 2012	
	Cases	Total outstanding debt at the end of the year (in million Baht)	Cases	Total outstanding debt at the end of the year (in million Baht)
Pass	2	24.2	5	51.6
Sub-standard	2	146.9	1	25.9
		<u>171.1</u>		<u>77.5</u>

Supplementary information relating to restructuring debtors for the six-month periods ended 30 June 2013 and 2012 are as follows:

	Consolidated and Separate financial statements	
	2013	2012
	(in million Baht)	
Interest income recognised in profit or loss	3.1	5.8
Cash collection	7.0	102.9

14 Allowance for doubtful accounts

Consolidated and separate financial statements							
30 June 2013							
	Pass	Special mention	Sub- standard	Doubtful (in Baht)	Doubtful of loss	Allowance for doubtful accounts in excess of the BoT minimum requirement	Total
Balance at beginning of the period	438,497	-	2,537,127	-	119,512,087	13,721,835	136,209,546
Doubtful accounts	(120,219)	-	152,175	-	10,014,764	(4,546,720)	5,500,000
Bad Debt	-	-	-	-	-	(830,179)	(830,179)
Balance at end of the period	318,278	-	2,689,302	-	129,526,851	8,344,936	140,879,367

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Consolidated and separate financial statements 31 December 2012

	Pass	Special mention	Sub- standard	Doubtful	Doubtful of loss	Allowance for doubtful accounts in excess of the BoT minimum requirement	Total
				(in Baht)			
Balance at beginning of the year	627,795	-	4,062,639	916,909	116,377,196	12,225,007	134,209,546
Doubtful accounts	(189,298)	-	(1,525,512)	(916,909)	3,134,891	1,496,828	2,000,000
Balance at end of the year	<u>438,497</u>	<u>-</u>	<u>2,537,127</u>	<u>-</u>	<u>119,512,087</u>	<u>13,721,835</u>	<u>136,209,546</u>

15 Properties for sale

As at 30 June 2013 and 31 December 2012, properties for sale consist of the following:

Consolidated and separate financial statements 30 June 2013

Type of properties for sale	Beginning balance	Additions	Disposals	Ending balance
			(in Baht)	
Assets from settlement				
Immovable assets				
- Appraised value by external appraisals	183,988,842	2,040,000	(3,328,400)	182,700,442
Total properties for sale	183,988,842	2,040,000	(3,328,400)	182,700,442
Less allowance for impairment	-	(1,878,934)	-	(1,878,934)
Total properties for sale, net	<u>183,988,842</u>	<u>161,066</u>	<u>(3,328,400)</u>	<u>180,821,508</u>

Consolidated and separate financial statements 31 December 2012

Type of properties for sale	Beginning balance	Additions	Disposals	Ending balance
			(in Baht)	
Assets from settlement				
Immovable assets				
- Appraised value by external appraisals	214,985,847	4,291,026	(35,288,031)	183,988,842
Total properties for sale	214,985,847	4,291,026	(35,288,031)	183,988,842
Less allowance for impairment	-	-	-	-
Total properties for sale, net	<u>214,985,847</u>	<u>4,291,026</u>	<u>(35,288,031)</u>	<u>183,988,842</u>

As at 17 June 2013, the Company (the potential seller) has entered into a Sales and Purchase contract for Land and Buildings with a company (the potential buyer) and the potential buyer agreed to make a deposit, which is part of the purchase price, of Baht 6.25 million within July 2013. The potential buyer also agreed to pay for the remaining of the purchasing price amount to Baht 118.75 million to the Company within December 2013. After the potential buyer pay, the company will perform the registration of transfer ownership for the land and building to the potential buyer.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

In registration of transfer ownership for the land and building, the Company shall be responsible for registration fees and other related expenses.

As at 30 June 2013, the aforementioned deposit of Baht 1 million was recognized in advance deposit.

16 Equipment, net

	Consolidated and separate financial statements				
	Leasehold improvement	Computer and equipment	Furniture And fixtures (in Baht)	Motor vehicles	Total
Cost					
At 1 January 2012	14,328,611	16,585,690	44,156	9,706,000	40,664,457
Additions	-	1,187,414	3,456	8,536,500	9,727,370
At 31 December 2012 and 1 January 2013	14,328,611	17,773,104	47,612	18,242,500	50,391,827
Additions	-	276,960	-	-	276,960
At 30 June 2013	14,328,611	18,050,064	47,612	18,242,500	50,668,787
Accumulated depreciation					
At 1 January 2012	14,072,249	13,751,709	38,544	9,705,994	37,568,496
Depreciation charge for the year	129,411	1,031,224	1,942	1,454,713	2,617,290
At 31 December 2012 and 1 January 2013	14,201,660	14,782,933	40,486	11,160,707	40,185,786
Depreciation charge for the period	42,901	557,956	1,089	846,634	1,448,580
At 30 June 2013	14,244,561	15,340,889	41,575	12,007,341	41,634,366
Net book value					
At 1 January 2012	256,362	2,833,981	5,612	6	3,095,961
At 31 December 2012 and 1 January 2013	126,951	2,990,171	7,126	7,081,793	10,206,041
At 30 June 2013	84,050	2,709,175	6,037	6,235,159	9,034,421

Depreciation for the six-month period ended 30 June 2013 in the amount of Baht 1.4 million (2012: Baht 1.2 million) was included in premises and equipment expenses in the statements of comprehensive income.

As at 30 June 2013, equipment with a cost of Baht 43.1 million was fully depreciated, but still in use (31 December 2012: Baht 35.7 million).

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

17 Intangible assets, net

Intangible assets which are software licenses are summarised as follows:

	Consolidated and separate financial statements (in Baht)
<i>Cost</i>	
At 1 January 2012	7,694,773
Additions	656,180
At 31 December 2012 and 1 January 2013	8,350,953
Additions	119,246
At 30 June 2013	8,470,199
<i>Accumulated amortisation</i>	
At 1 January 2011	6,935,087
Amortisation charge for the year	295,186
At 31 December 2012 and 1 January 2013	7,230,273
Amortisation charge for the period	171,160
At 30 June 2013	7,401,433
<i>Net book value</i>	
At 1 January 2012	759,686
At 31 December 2012 and 1 January 2013	1,120,680
At 30 June 2013	1,086,766

Amortisation for the six-month period ended 30 June 2013 in the amount of Baht 171,160 (2012: Baht 126,464) was included in premises and equipment expenses in the statements of comprehensive income.

18 Deferred tax

Deferred tax asset and liabilities were as follows:

	Consolidated and separate financial statements		
	30 June 2013	31 December 2012 (in Baht)	1 January 2012
Deferred tax assets	7,795,387	7,598,993	7,764,782
Deferred tax liabilities	-	-	-
Net	7,795,387	7,598,993	7,764,782

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

Movement in total deferred tax asset and liabilities during the six-month periods ended 30 June 2013 and 2012 were as follows:

	At 1 January 2013 (Restated)	Consolidated and separate financial statements (charged) / credited to:		At 30 June 2013
		Profit or loss (Note 36) (in Baht)	Other comprehensive income	
Deferred tax assets				
Investment	2,713,320	(220,572)	(187,003)	2,305,745
Loan on customer and accrued interest receivable	1,086,941	-	-	1,086,941
Properties for sale	-	375,787	-	375,787
Provision	3,798,732	228,182	-	4,026,914
Total	7,598,993	383,397	(187,003)	7,795,387

	At 1 January 2012 (Restated)	Consolidated and separate financial statements (charged) / credited to:		At 30 June 2012
		Profit or loss (Note 36) (in Baht)	Other comprehensive income	
Deferred tax assets				
Investment	3,307,309	-	(49,866)	3,257,443
Loan on customer and accrued interest receivable	1,086,941	200,000	-	1,286,941
Provision	3,370,532	214,100	-	3,584,632
Total	7,764,782	414,100	(49,866)	8,129,016

19 Other assets, net

	Consolidated financial statements		Separate financial statements	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
				(in Baht)
Accrued interest receivables	1,811,017	1,332,260	1,811,017	1,332,260
Prepaid expenses	1,061,128	517,100	1,061,128	517,100
Other Receivable	1,917,685	102,542	1,917,685	102,542
Others	1,744,181	1,760,620	1,811,455	1,820,840
	6,534,011	3,702,522	6,601,285	3,762,742
Less allowance for impairment	(1,587,762)	(1,542,800)	(1,587,762)	(1,542,800)
Total	4,946,249	2,159,722	5,013,523	2,219,942

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

20 Deposits

(a) *Classified by product as at 30 June 2013 and 31 December 2012:*

	Consolidated and Separate financial statements	
	30 June 2013	31 December 2012
	<i>(in Baht)</i>	
Certificate of deposits	<u>2,248,909,801</u>	<u>2,129,273,104</u>
Total	<u>2,248,909,801</u>	<u>2,129,273,104</u>

(b) *Classified by currency and residence of customer*

As at 30 June 2013 and 31 December 2012, the Group's deposits were domestic and denominated entirely in Thai Baht.

21 Intercompany and money market items (liabilities)

As at 30 June 2013 and 31 December 2012, intercompany and money market items (liabilities) consist of the following:

	Consolidated and separate financial statements					
	30 June 2013			31 December 2012		
	Demand	Time	Total	Demand	Time	Total
	<i>(in Baht)</i>					
Domestic items:						
Other financial institutions	<u>-</u>	<u>660,798,301</u>	<u>660,798,301</u>	<u>-</u>	<u>965,798,301</u>	<u>965,798,301</u>
Total domestic items	<u>-</u>	<u>660,798,301</u>	<u>660,798,301</u>	<u>-</u>	<u>965,798,301</u>	<u>965,798,301</u>

22 Debts issued and borrowings

As at 30 June 2013 and 31 December 2012, debts issued and borrowings consist of the following:

	Consolidated and separate financial statements					
	30 June 2013			31 December 2012		
	Interest rate (%)	Maturity	Domestic (in Baht)	Interest rate (%)	Maturity	Domestic (in Baht)
Promissory notes - Baht	4.50-5.15	2013-2015	<u>85,865,908</u>	2.00-5.15	2013-2015	<u>134,553,847</u>
Total			<u>85,865,908</u>			<u>134,553,847</u>

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

23 Employee benefit obligations

As at 30 June 2013 and 31 December 2012, employee benefit obligations consist of the following:

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	<i>(in Baht)</i>	
Statement of financial position		
Obligations for:		
Post-employment benefits	20,134,567	18,993,360
Total	<u>20,134,567</u>	<u>18,993,360</u>

Post-employment benefits

The Group operates a number of post-retirement benefit plans including both defined contribution plans and defined benefit plans. All defined benefit plans are unfunded.

	Consolidated and separate financial statements	
	2013	2012
	<i>(in Baht)</i>	
<i>For the six-month period ended 30 June</i>		
Statement of comprehensive income		
recognised as expense:		
Post-employment benefits		
Defined benefit plans	1,140,907	1,070,500
Total	<u>1,140,907</u>	<u>1,070,500</u>

The expenses in the line items above are recognised as employee's expenses in the statements of comprehensive income.

The Group operates defined benefit plans based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide post-employment benefits to employees based on rights and length of service.

Movement in the present value of the defined benefit obligations:

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	<i>(in Baht)</i>	
Defined benefit obligations at beginning of the period/year	18,993,660	16,852,661
Current service cost	806,420	1,551,243
Interest cost	334,487	589,756
Defined benefit obligations at ending of the period/year	<u>20,134,567</u>	<u>18,993,660</u>

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

The principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Consolidated and separate financial statements	
	30 June 2013	31 December 2012
	(%)	
Discount rate	3.7	3.7
Future salary increase rate	5-10	5-10

Assumptions regarding future mortality are based on published statistics and mortality tables.

24 Other liabilities

As at 30 June 2013 and 31 December 2012, other liabilities are as follows:

	Consolidated financial statements		Separate financial statements	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	(in Baht)			
Special business tax and value added tax payable	585,623	1,118,877	585,623	1,118,877
Others	379,978	316,288	379,978	316,288
Total	965,601	1,435,165	965,601	1,435,165

25 Reserve

Legal reserve

Under the Public Companies Act B.E. 2535 Section 116, the Company is required to set aside as a legal reserve at least 5% of its net income, net of accumulated deficit brought forward, until the reserve is not less than 10% of the registered capital.

Other components of equity

Fair value changes in available-for-sale investments

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

Movements in reserves

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

26 Dividends

At the annual general meeting of the shareholders of the Company held on 17 April 2012, the shareholders approved the appropriation of dividend of Baht 2.47 per share, amounting to Baht 16.06 million. The dividend was paid to shareholders during 2012.

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

27 Contingencies

As at 30 June 2013, the Company has obligation in respect of letters of guarantee provided to customers relating to certain performance bonds as required in the normal course of their business amounting to Baht 35.99 million (31 December 2012: Baht 34.06 million).

28 Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group is subject to common control or common significant influence. Related party may be individuals or other entities.

Relationship with a subsidiary is disclosed in note 10. Relationship with key management was as follows:

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

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

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

The pricing policy for particular types of transaction is explained further below:

Transaction	Pricing policy
Rental expenses	Market rate

Significant transactions for the six-month period ended 30 June 2013 and 2012 with related parties were as follows:

<i>For the six-month period ended 30 June</i>	Separate financial statements	
	2013	2012
	<i>(in Baht)</i>	
Subsidiary		
Rental income	67,275	67,275

Other benefits paid to directors and key management

The Group has not paid other benefits to executive directors and key management personnel, except for the benefits that are normally paid such as salary, bonus and directors' fee.

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

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Benefit paid to directors who are executive of the company and key management personnel.

	Consolidated and separate financial statements	
	2013	2012
	(in Baht)	
<i>For the years six-month period ended 30 June</i>		
Short-term employee benefits	15,856,206	16,563,766
Post-employment benefits	961,248	904,115
Total	16,817,454	17,467,881

Benefit paid to the directors who have no position as an executive level of the company.

	Consolidated and separate financial statements	
	2013	2012
	(in Baht)	
<i>For the years ended 31 December</i>		
Directors' remuneration	1,174,996	1,079,999
Total	1,174,996	1,079,999

Balances with related parties as at 30 June 2013 and 31 December 2012 were as follows:

	Separate financial statements	
	30 June	31 December
	2013	2012
	(in Baht)	
<i>Other assets</i>		
Subsidiary		
AAMC Asset Management Company Limited	67,275	67,275

Significant agreement with related party

The Company has entered into a rental agreement with its subsidiary for the period from January 2011 to August 2013. The Company has a monthly rental fee of Baht 11,212.5 payable on a semi-annual basis.

29 Long-term leases and service agreements

As at 30 June 2013 and 31 December 2012, the Group has the remaining rental and service expenses to be paid for long-term leases and service agreements as follows:

		Consolidated and separate financial statements	
		30 June	31 December
		2013	2012
		(in Baht)	
Type of lease	Period		
Building	Within 1 year	5,437,675	3,072,005
	1 - 5 years	11,417,025	-
Equipment	Within 1 year	383,916	383,916
	1 - 5 years	351,923	543,881

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

30 Segment information

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

The Company operates finance business. The management considers the operations as one business segment. When taking into consideration the business location of the Group, there is only one geographical segment as the business operates only in the Kingdom of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

The subsidiary's operations involve a single industry segment, asset management business, and are carried on in a single geographic area in Thailand. The profit and assets of the subsidiary are immaterial, and it has not yet commenced business. Therefore, they are not presented divided by segment in the consolidated financial statements.

31 Interest income

Interest income included in the statements of comprehensive income for the six-month period ended 30 June 2013 and 2012 are as follows:

	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
	(in Baht)			
Intercompany and money market items	8,277,256	12,083,225	7,862,555	11,701,033
Investment in debt securities	9,034,861	13,849,284	9,034,861	13,849,284
Loans	88,061,440	84,816,291	88,061,440	84,816,291
Total	<u>105,373,557</u>	<u>110,748,800</u>	<u>104,958,856</u>	<u>110,366,608</u>

32 Interest expenses

Interest expenses included in the statements of comprehensive income for the six-month period ended 30 June 2013 and 2012 are as follows:

	Consolidated and separate financial statements	
	2013	2012
	(in Baht)	
Deposits	42,298,055	31,639,687
Intercompany and money market items	17,491,631	25,246,743
Contributions to the Financial Institutions Development Fund and the Deposit Protection Agency	6,326,872	6,336,250
Debt securities in issue		
- Others	3,102,215	14,361,261
Total	<u>69,218,773</u>	<u>77,583,941</u>

Advance Finance Public Company Limited and its Subsidiary
Notes to the financial statements

33 Fees and service income

Net fees and service income included in the statements of comprehensive income for the six-month period ended 30 June 2013 and 2012 are as follows:

	Consolidated and separate financial statements	
	2013	2012
	<i>(in Baht)</i>	
Fees and service income		
- Avals to bills and guarantees of loans	617,509	613,076
- Financial consulting fee	2,350,00	900,000
- Others	6,799,776	3,156,358
Total net fees and service income	9,767,285	4,669,434

34 Gain on investment, net

Gain on investment included in the statements of comprehensive income for the six-month period ended 30 June 2013 and 2012 are as follows:

	Consolidated and separate financial statements	
	2013	2012
	<i>(in Baht)</i>	
Gain on investment		
Available-for-sale securities	2,747,644	-
General investments	9,259,011	-
Total	12,006,655	-

35 Bad debt, doubtful accounts and loss on impairment

Bad debt, doubtful accounts and loss on impairment included in the statements of comprehensive income for the six-month period ended 30 June 2013 and 2012 are as follows:

	<i>Note</i>	Consolidated and separate financial statements	
		2013	2012
		<i>(in Baht)</i>	
Loans to customers			
- Bad debt recovery		(462,612)	(1,047,520)
- Bad debt and doubtful accounts	14	5,500,00	1,000,000
Total		5,037,388	(47,520)

Notes to the financial statements

36 Income tax expense

<i>Income tax recognised in profit or loss</i>	<i>Note</i>	Consolidated financial statements	Separate financial statements		
		2013	2012	2013	2012
				(in Baht)	
<i>Current tax expense</i>					
Current year		3,486,266	799,735	3,429,101	741,093
		<u>3,486,266</u>	<u>799,735</u>	<u>3,429,101</u>	<u>741,093</u>
<i>Deferred tax expense</i>	18				
Movements in temporary differences		(383,397)	(476,216)	(383,397)	(476,216)
Income tax reduction - deferred		-	62,115	-	62,115
		<u>(383,397)</u>	<u>(414,100)</u>	<u>(383,397)</u>	<u>(414,100)</u>
Income tax expense		3,102,869	385,635	3,045,704	326,993

Reconciliation of effective tax rate

Consolidated and separate financial statements						
2013			2012			
Tax			Tax			
Before	(expense)	Net of	Before	(expense)	Net of	
tax	benefit	tax	tax	benefit	tax	
(in Baht)						
Available for sale securities	935,019	(187,003)	748,016	249,331	(49,866)	199,465
Total	935,019	(187,003)	748,016	249,331	(49,866)	199,465

Reconciliation of effective tax rate

	Consolidated financial statements			
	2013		2012	
	Rate (%)	(in Baht)	Rate (%)	(in Baht)
Profit before income tax expense		<u>14,914,770</u>		<u>2,621,311</u>
Income tax using the Thai Corporation tax rate	20	2,982,954	23	602,902
Income tax reduction - deferred		-		62,115
Income not subject to tax		-		(387,550)
Expense not deductible for tax purposes		119,915		108,168
Total	21	3,102,869	15	385,635

Reconciliation of effective tax rate

	Separate financial statements			
	2013		2012	
	Rate		Rate	
	(%)	(in Baht)	(%)	(in Baht)
Profit before income tax expense		<u>14,635,999</u>		<u>2,366,344</u>
Income tax using the Thai Corporation tax rate	20	2,927,200	23	544,260
Income tax reduction - deferred		-		62,115
Income not subject to tax		-		(387,550)
Expense not deductible for tax purposes		<u>118,504</u>		<u>108,168</u>
Total	21	3,045,704	14	326,993

Advance Finance Public Company Limited and its Subsidiary

Notes to the financial statements

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

37 Basic earnings per share

Basic earnings per share for the six-month period ended 30 June 2013 and 2012 are calculated as follows:

	Consolidated financial statements		The separate financial statements	
	2013	2012	2013	2012
	<i>(in Baht/Share)</i>			
Profit attributable to equity holders of the Company (basic)	<u>11,811,895</u>	<u>2,235,671</u>	<u>11,590,295</u>	<u>2,039,351</u>
Number of ordinary shares outstanding	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>
Basic earnings per share	<u>1.82</u>	<u>0.34</u>	<u>1.78</u>	<u>0.31</u>

38 Thai Financial Reporting Standards (TFRS) not yet adopt

The Group has not adopted the following new and revised TFRS that have been issued as of the reporting date but are not yet effective. The new and revised TFRS are expected to become effective for annual financial periods beginning on or after 1 January in the year indicated in the following table:

TFRS	Topic	Year effective
TFRIC 4	Determining whether an Arrangement contains a lease	2014

Management expects to adopt and apply these new TFRS in accordance with the FAP's announcement and has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of those new standards assessed to have the greatest potential impact on the financial statements in the period of initial application.