

### Part 3

#### Significant Financial Information

#### 13. Significant Financial Information

##### 13.1 Financial Statement

##### *Report of the Independent Certified Public Accountants*

Type of report is unqualified opinion for the year ended of December 31, 2015 ,  
December 31, 2014 and December 31, 2013

##### *Significant Financial Information for 3 year ago*

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	DECEMBER 31, 2015		DECEMBER 31, 2014		DECEMBER 31, 2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>ASSETS</b>						
Cash and cash equivalents	139,787,568	6.22	347,548,271	10.44	218,141,995	21.53
Deposits at financial institutions	77,196,484	3.44	46,054,244	1.38	60,493,773	5.97
Receivables from Clearing House	13,795,300	0.61	203,488,804	6.11	171,195,113	16.89
Securities and derivatives						
business receivables - net	1,082,804,604	48.19	1,570,588,770	47.17	237,696,206	23.46
Investments - net	567,079,620	25.24	831,181,312	24.97	160,011,373	15.79
Premises improvement and						
equipment - net	218,857,459	9.74	218,307,957	6.56	86,202,986	8.51
Goodwill	4,376,116	0.19	4,376,116	0.13	-	-
Intangible assets - net	38,459,800	1.71	42,695,663	1.28	32,987,712	3.26
Deferred tax assets	12,236,449	0.54	10,922,052	0.33	10,523,899	1.04
Other assets - net	92,356,345	4.11	54,142,106	1.63	36,126,581	3.56
<b>TOTAL ASSETS</b>	<b>2,246,949,745</b>	<b>100.00</b>	<b>3,329,305,295</b>	<b>100.00</b>	<b>1,013,379,638</b>	<b>100.00</b>

Financial statements as at December 31, 2013 is separate financial statements due to the company purchased subsidiary shares  
at June 20, 2014

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	DECEMBER 31, 2015		DECEMBER 31, 2014		DECEMBER 31, 2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<i>LIABILITIES AND OWNERS' EQUITY</i>						
<i>LIABILITIES</i>						
Payables to Clearing House	111,006,010	4.94	136,860,598	4.11	32,726,079	3.23
Securities and derivatives						
business payables	284,325,781	12.65	560,230,602	16.83	20,214,999	1.99
Finance lease liabilities	1,427,071	0.06	2,107,892	0.06	2,748,372	0.27
Debt issued and borrowings	575,923,317	25.63	1,364,215,217	40.98	-	-
Provisions for litigations	5,617,345	0.25	5,617,345	0.17	5,617,345	0.55
Post-employment benefit obligations	13,834,816	0.62	5,702,851	0.17	2,150,678	0.21
Accrued expenses	70,170,896	3.12	100,492,155	3.32	4,685,033	0.46
Accrued withholding tax	1,029,567	0.05	630,082	0.02	584,332	0.06
Other liabilities	13,866,291	0.67	28,670,163	0.86	16,730,725	1.65
<b>TOTAL LIABILITIES</b>	<b>1,078,454,073</b>	<b>48.00</b>	<b>2,214,526,905</b>	<b>66.52</b>	<b>85,457,563</b>	<b>8.43</b>

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	DECEMBER 31, 2015		DECEMBER 31, 2014		DECEMBER 31, 2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>SHAREHOLDERS' EQUITY</b>						
<b>SHARE CAPITAL</b>						
Registered:						
2,414,615,498 ordinary shares of Baht 1 each	2,414,615,498					
(2014: 1,331,716,928 ordinary shares of Baht 1 each)			1,331,716,928			
(2013: 172,000,000 ordinary shares of Baht 5 each)					860,000,000	
Issued and fully paid-up:						
1,224,224,758 ordinary shares of Baht 1 each	1,224,244,758	54.48				
(2014: 1,009,743,709 ordinary shares of Baht 1 each)			1,009,743,709	30.33		
(2013: 168,816,704 ordinary shares of Baht 5 each)					844,083,520	83.29
Share premium	85,226,981	3.79	53,226,981	1.60	53,226,981	5.25
<b>RETAINED EARNINGS</b>						
Appropriated – statutory reserve	17,207,886	0.77	17,207,886	0.52	16,878,485	1.67
Unappropriated (deficit)	(164,250,614)	(7.31)	28,318,185	0.85	13,733,089	1.36
Equity attributable to owners of the Company	1,162,429,011	51.73	1,108,496,761	33.30	927,922,075	91.57
Non-controlling interests of the subsidiary	6,066,661	0.27	6,281,629	0.19	-	-
Total shareholders' equity	1,168,495,672	52.00	1,114,778,390	33.48	927,922,075	91.57
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	2,246,949,745	100.00	3,329,305,295	100.00	1,013,379,638	100.00

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	DECEMBER 31, 2015		DECEMBER 31, 2014		DECEMBER 31, 2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>REVENUES</b>						
Brokerage fees	571,440,678	86.54	490,696,474	67.98	13,344,635	26.58
Fee and service income	58,833,729	8.91	71,351,714	9.88	329,472	0.66
Gain (loss) on investments	(80,482,069)	(12.19)	76,461,455	10.59	11,496,29	22.90
Gain on sale of investment in receivables	-	-	17,000,000	2.36	-	-
Interest income	31,395,327	4.75	17,232,551	2.39	21,356,818	42.54
Interest on margin loans	60,590,521	9.18	46,827,905	6.49	1,349,196	2.69
Other income	18,522,060	2.81	2,269,409	0.31	2,324,366	4.63
<b>Total revenues</b>	<b>660,300,246</b>	<b>100.00</b>	<b>721,839,508</b>	<b>100.00</b>	<b>50,200,696</b>	<b>100.00</b>
<b>EXPENSES</b>						
Finance costs	74,220,657	11.24	54,913,553	7.61	60,131	0.12
Fee and service expenses	95,592,428	14.48	77,726,403	10.77	6,107,511	12.17
Operating expenses						
Personnel expenses	447,967,571	67.84	401,322,501	55.60	29,476,388	58.72
Premises and equipment expenses	127,397,531	19.29	98,864,973	13.70	17,029,561	33.92
Directors' remuneration	20,430,667	3.09	14,400,667	1.99	24,164,760	48.14
Other expenses	89,281,146	13.52	66,141,877	9.16	13,187,268	26.27
<b>Total operating expenses</b>	<b>685,076,915</b>	<b>103.75</b>	<b>580,730,018</b>	<b>80.45</b>	<b>83,857,977</b>	<b>167.05</b>
Reversal of bad debt and doubtful accounts	(491,590)	(0.07)	(5,136,913)	(0.71)	(235,508)	(0.47)
<b>Total expenses</b>	<b>854,398,410</b>	<b>129.40</b>	<b>708,233,061</b>	<b>98.12</b>	<b>89,790,111</b>	<b>178.86</b>
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>	<b>(194,098,164)</b>	<b>(29.40)</b>	<b>13,606,447</b>	<b>1.88</b>	<b>(39,589,415)</b>	<b>(78.86)</b>
<b>INCOME TAX</b>	<b>1,314,397</b>	<b>0.20</b>	<b>(585,996)</b>	<b>(0.08)</b>	<b>(485,074)</b>	<b>(0.97)</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>(192,783,767)</b>	<b>(29.20)</b>	<b>13,020,451</b>	<b>1.80</b>	<b>(40,074,489)</b>	<b>(79.83)</b>

AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	DECEMBER 31, 2015		DECEMBER 31, 2014		DECEMBER 31, 2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
OTHER COMPREHENSIVE INCOME						
Actuarial gains for employee benefit plans	-	-	3,171,613	0.44	-	-
Income tax effects	-	-	(634,323)	(0.09)	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR	-	-	2,537,290	0.35	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(192,783,767)	(29.20)	15,557,741	2.16	(40,074,489)	(79.83)
Profit (loss) attributable to						
Equity holders of the Company	(192,568,799)	(29.17)	12,377,207	1.71	(40,074,489)	(79.83)
Non-controlling interests of the subsidiary	(214,968)	(0.03)	643,244	0.09	-	-
	(192,783,767)	(29.20)	13,020,451	1.80	(40,074,489)	(79.83)
Total comprehensive income attributable to						
Equity holders of the Company	(192,568,799)	(29.17)	14,914,497	2.07	(40,074,489)	(79.83)
Non-controlling interests of the subsidiary	(214,968)	(0.03)	643,244	0.09	-	-
	(192,783,767)	(29.20)	15,557,741	2.16	(40,074,489)	(79.83)
BASIC EARNINGS (LOSS) PER SHARE	(0.17)		0.01		0.05	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	1,160,305,899		971,646,295		844,083,520	

	Issued and fully paid-up share capital	Share premium	Retained earnings (deficit)		Total equity attributable to owners of the company	Equity attributable to non-controlling interests of the subsidiary	Total shareholders' equity
			Appropriated	Unappropriated (deficit)			
Balance as at 1 January 2013	844,083,520	53,226,981	16,878,485	53,807,578	967,996,564	-	967,996,564
Loss for the year				(40,074,489)	(40,074,489)	-	(40,074,489)
Balance as at 31 December 2013	844,083,520	53,226,981	16,878,485	13,733,089	927,922,075	-	927,922,075
Balance as at 1 January 2014	844,083,520	53,226,981	16,878,485	13,733,089	927,922,075	-	927,922,075
Profit for the year	-	-	-	12,377,207	12,377,207	643,244	13,020,451
Other comprehensive income for the year	-	-	-	2,537,290	2,537,290	-	2,537,290
Total comprehensive income for the year	-	-	-	14,914,497	14,914,497	643,244	15,557,741
Purchase investment in subsidiary	-	-	-	-	-	2,638,265	2,638,265
Issue ordinary shares	165,660,189	-	-	-	165,660,189	-	165,660,189
Increase in capital of the subsidiary	-	-	-	-	-	3,000,120	3,000,120
Appropriated statutory reserve	-	-	329,401	(329,401)	-	-	-
Balance as at 31 December 2014	1,009,743,709	53,226,981	17,207,886	28,318,185	1,108,496,761	6,281,629	1,114,778,390
Balance as at 1 January 2015	1,009,743,709	53,226,981	17,207,886	28,318,185	1,108,496,761	6,281,629	1,114,778,390
Loss for the year	-	-	-	(192,568,799)	(192,568,799)	(214,968)	(192,783,767)
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(192,568,799)	(192,568,799)	(214,968)	(192,783,767)
Issue ordinary shares	214,501,049	32,000,000	-	-	246,501,049	-	246,501,049
Balance as at 31 December 2015	1,224,244,758	85,226,981	17,207,886	(164,250,614)	1,162,429,011	6,066,661	1,168,495,672

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	2015	2014	2013
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax	(194,098,164)	13,606,447	(39,589,415)
Adjustments to reconcile loss before income tax to net cash received (paid) from operating activities			
Depreciation and amortization	55,898,249	46,673,020	6,343,047
Reversal of bad debt and doubtful accounts	(491,590)	(5,136,913)	(235,508)
Provisions for litigations	-	-	27,991
Un realized (gain) loss on revaluation of investments in trading securities	73,451,369	(8,058,297)	1,732
Gain on sale of investment in receivables	-	17,000,000	-
Loss on write-off of intangible assets	-	107,000	-
(Gain) loss on sale of premises improvement and equipment	(2,236)	4,632,488	(9,286)
Provision for long-term employee benefits	8,131,965	6,723,786	(180,140)
Finance costs	74,220,657	54,913,553	60,131
Interest and dividend income	(91,985,848)	(64,060,456)	(22,706,014)
Cash paid for interest expense	(74,416,574)	(54,590,978)	(60,131)
Cash received from interest income	91,550,002	65,178,090	16,916,124
Cash paid for income tax expense	(3,804,872)	(2,281,607)	(263,485)
<b>Operating gain (loss) before changes in operating assets and liabilities</b>	<b>(61,547,042)</b>	<b>40,706,133</b>	<b>(39,694,954)</b>
<b>Operating assets (increase) decrease</b>			
Deposits at financial institutions	(31,142,240)	14,439,529	(178,282)
Receivables from Clearing House	189,693,504	(32,293,691)	(171,195,113)
Securities and derivatives business receivables	488,275,756	(1,327,755,651)	(225,140,698)
Investments in trading securities	280,650,333	(663,111,642)	98,064,239
Other assets	(33,973,521)	(16,870,563)	(6,385,206)
<b>Operating liabilities increase (decrease)</b>			
Payable to Clearing House	(25,854,588)	104,134,519	32,726,079
Securities and derivatives business payables	(275,904,821)	540,015,603	(1,156,369)
Accrued expenses	(40,125,342)	104,128,650	559,088
Accrued withholding tax	399,485	45,750	-
Other liabilities	(3,627,634)	8,802,839	(6,537,497)
<b>Net cash provided by(use in) operating activities</b>	<b>486,843,890</b>	<b>(1,227,758,524)</b>	<b>(318,938,713)</b>

## AEC SECURITIES PUBLIC COMPANY LIMITED AND SUBSIDIARY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015, DECEMBER 31, 2014 AND DECEMBER 31, 2013

Unit : Baht

	2015	2014	2013
<b>Cash flows from investing activities</b>			
Cash paid for purchase of investment in subsidiary	-	(28,115,500)	-
Cash paid for purchase of investment in private debt securities	(40,000,000)	-	-
Cash paid for purchase of investment in general investment	(50,000,010)	-	-
Cash paid for short-term loan to subsidiary	-	-	-
Proceeds from short-term loan to subsidiary	-	-	-
Cash paid for purchase of premises improvement and equipment	(54,755,434)	(167,964,887)	(76,816,211)
Proceeds from disposal of premises improvement and equipment	54,978	603,532	60,017
Cash paid for purchase of intangible assets	(7,432,455)	(23,050,051)	(30,104,150)
Cash receive from sale of intangible assets	-	-	51,098
Cash paid for purchase of investment in receivables	-	(331,829,073)	-
Proceeds from sale of investment in receivables	-	348,829,073	-
<b>Net cash used in investing activities</b>	<b>(152,132,921)</b>	<b>(201,526,906)</b>	<b>(106,809,246)</b>
<b>Cash flows from financing activities</b>			
Proceeds from (cash paid for) issuing bills of exchange and subordinated debentures	(788,291,900)	1,364,215,217	-
Cash payment for finance lease liabilities	(680,821)	(640,480)	(51,628)
Cash received from issuance of ordinary shares	246,501,049	165,660,189	-
Increase in capital of the subsidiary	-	3,000,120	-
<b>Net cash provided by (used in) financing activities</b>	<b>(542,471,672)</b>	<b>1,532,235,046</b>	<b>(51,628)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(207,760,703)</b>	<b>102,949,616</b>	<b>(425,799,587)</b>
Cash and cash equivalents at beginning of year	347,548,271	244,598,655	670,398,242
<b>Cash and cash equivalents at end of year</b>	<b>139,787,568</b>	<b>347,548,271</b>	<b>244,598,655</b>



## 13.2 Financial Ratio

Financial Ratio	2015	2014	2013
<b><u>Profitability Ratio</u></b>			
Gross Profit Margin	73.54%	81.57%	87.12%
Net Profit Margin	(29.20%)	1.80%	(79.83%)
Return on Owners' Equity	(16.89%)	1.27%	(4.23%)
Return on Investment	(7.02%)	22.34%	15.80%
<b><u>Efficiency Ratio</u></b>			
Return on Asset	(6.91%)	0.60%	(3.96)
Asset Turn Over Ratio	0.24	0.33	0.05
<b><u>Financial Ratio</u></b>			
Liquid Asset to Borrowing	1.23	0.86	0.00
Earning Asset to Borrowing	1.90	1.30	0.00
Liquid Asset to total Asset Ratio	31.46%	35.40%	37.32%
Earning Asset to total Asset Ratio	48.80%	53.29%	40.35%
Debt Equity Ratio	0.92	1.99	0.09
Dividend Payout	-	-	-
<b><u>Other Ratio</u></b>			
Securities Investment to Total Asset	25.24%	24.97%	15.79%
Net Capital Ratio	84.13%	85.05%	729.38%

## 14. Management Discussion and Analysis

### 14.1 Operational and Financial Standing Analysis

#### (1) Operational Analysis

##### *Business Overview and Important Factors changes for the Year 2015*

In 2015, AEC Securities Public Co., Ltd. was the member of The Stock Exchange of Thailand No.38 and the company received the full licenses service for securities business a Type-Gor (A) and the full licenses service for derivatives a Type-Sor-1(S1) which its core business as a securities brokerage and derivative brokerage. We also operated licensed businesses such as securities trading, investment advisor, securities underwriting, securities borrowing and lending, and In 2015 the company is allow to start the operation of private fund management accompany from Securities and Exchange Commission Thailand (SEC) with In 2015, we opened two more branches in Saraburi and at Fashion Island with the total of 15 branches. In 2014 and 2015 the main revenues of the Company from the brokerage business, proceeding, the Company earns a brokerage fee as 68 – 87 percent of total revenues. The Company serves both retail and institutional customers in the country, but the most customer of the Company continues to retail customers. In 2015 the Company was the market share especially in brokerage business as 3.18 percent and as number12 of all market.

Our total revenues in 2015 were Baht 660,300,246, a decrease by Baht 61,539,262 accounting for 8.53 percent as compared to that in 2014 at the total of Baht 721,839,508, while total expenses increased by Baht 146,165,349 from Baht 708,233,061 in 2014 to Baht 854,398,410 in 2015 or increased by 20.64 percent which as a result of efforts to invest in various fields to develop service and create a sustainable environment for the Company in the economic growth is severely limited by the fragility of the economic recovery of Thailand and the global economy. Nevertheless, the Company continues to execute its strategy of the Company by trying to focus on the distribution of revenues from brokerage and derivative to other businesses. To stabilize the revenue structure of the Company in circumstances where the investment climate in global markets down noticeably sparse and have an impact on the investment climate on the Stock Exchange in Thailand.

In addition, a total revenues was a significantly decrease as a result from losses on investments because of allowance for revaluation on investments in securities listed on the market demand (Unrealized Loss) management by an asset management company. The reduction from revenues from fee and service income due to the decrease in revenues from underwriting securities and operating as a financial advisor.

Source of revenue of the Company consist of brokerage fees, fee and service income, gains (losses) on investments, gains on sale of investment in receivables, interest income, interest on margin loans and other income. The contribution of each sector to grow is presented below;

(Unit: billion Baht)

Revenues	2015		2014	
	Amount	%	Amount	%
Brokerage Fees	571,440.68	86.54	490,696.47	67.98
Fee and service income	58,833.73	8.91	71,351.71	9.88
Gain (losses) on investments	(80,482.07)	(12.19)	76,461.46	10.59
Gain on sale of investment in receivables	-	0.00	17,000.00	2.36
Interest income	31,395.33	4.75	17,232.55	2.39
Interest on margin loans	60,590.52	9.18	46,827.91	6.49
Other income	18,522.06	2.81	2,269.41	0.31
<b>Total revenues</b>	<b>660,300.25</b>	<b>100.00</b>	<b>721,839.51</b>	<b>100.00</b>

Total expenses was increased mainly due to the increased of financial cost of the loan to support the expansion of lending to purchase securities and fees and services expenses are increased from brokerage transactions and trading in securities and derivatives and also total operating expenses was increased to support the business.

In conclusion, in the year of 2015, the Company reported a comprehensive loss of Baht 192,783,767, with a firm-specific comprehensive loss of Baht 190,634,090, a decline by Baht 199,759,395 or 2,189.07 percent as compared to the same period in 2014 in which the net operating profit was Baht 9,125,305, due to the loss in investment funds of Baht 80,482,069 mostly attributable to the allowance for revaluation of investments in marketable listed securities managed by an asset management company and more premises and equipment expenses associated with more business expansion, branches and job system investments, resulting in the depreciation of Baht 54,646,674. With the majority of the assets depreciated over 5 years, the Company, having run the business for two years, would have high operating costs in the first five years.

Base on above results due to the Company's gross profit margin for the year 2015 decreased by the same as 81.30 percent in 2014 to 73.53 percent in 2015, net profit margin decreased by the same as 0.93 percent in the year 2014 to (29.62) percent in 2015, the return on owners' equity decreased by the same as 0.65 percent in 2014, to (16.86) percent in 2015 and the return on investment decreased from 20.29 percent in 2014 to (7.28) percent in 2015.

Return on assets decreased from 0.30 percent in 2014 to (6.87) percent in 2015, and the rate of rotation of assets, down from 0.33 percent in 2014 to 0.23 percent in 2015.

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*Total revenues for the year 2015 decreased compared to the year 2014***Brokerage fee revenue**

Brokerage fee revenue for the year 2015, increased from Baht 490,696,474 in 2014 to Baht 571,440,678 in 2015, an increase by Baht 80,744,204 or 16.46 percent, contributed by an increase by Baht 47,772,615 or 10.79 percent in securities trading commission and by Baht 37,627,770 or 107.07 percent in derivatives trading commission due to the Company has improve management structure by open two more branches and increase of number of marketing, while a decline by Baht 4,656,181 or 36.88 percent in investment units selling agent commission.

Proportion of Brokerage fee to total income increased quite a lot from 67.98 percent in 2014 to 86.54 percent in 2015.

**Fee and service revenues**

Fee and service revenues for the year 2015, decreased from Baht 71,351,714 in 2014 to Baht 58,833,729 in 2015, a decline by Baht 12,517,985 or 17.54 percent, contributed by a decline by Baht 32,667,784 or 99.71 percent in 2014 in underwriting fees and by Baht 35,484,751 or 95.11 percent in 2014 in investment advisory fees and an increase by Baht 51,131,939 or 100 percent in commission from sale of bills of exchange because that transaction is start in 2015, while in 2014 is no such businesses. In 2014, revenues from fee and other service increase by Baht 4,502,611 or 351.91 percent are revenues from property management of customers increased by Baht 3,085,827 or 100 percent the transaction is due to begin operation in 2015, revenues form lending and borrowing increase by Baht 909,543 or 86.03 percent, revenues form transfer securities fees increase by Baht 450,976 or 1,110.56 percent and revenues form interest income – loans overdue increase by Baht 56,265 or 30.99. It is seen that the Company gain revenues from underwriting debt and fee and other service income increased, but revenues from securities and revenues from investment advisory decline. Due to the volatility of the trading in the stock market in 2015, which affected demand in the listed securities of various companies move out of the way and delay. In 2014, the company gain revenues from underwriting fee by Baht 32,762,500 and revenues from investment advisory fee by Baht 37,309,751

Proportion of fee and services to total income decline from 9.88 percent in 2014 to 8.91 percent in 2015.

**Profits from investment funds**

Profits from investment funds decreased from Baht 76,461,455 in 2014 to the loss of Baht 80,482,069 in 2015, a decline by Baht 156,943,524 or 205.26 percent due to an allowance for revaluation of investments in marketable listed securities managed by an asset management company is fair price. Due to the decline in prices of securities on the Stock Exchange of Thailand in 2015 and received a report from the management fund that has no need to cut the underwriters and the company remains confident in the risk management process of the Fund, while

market conditions in 2016 may be adjusted to increase which will result in a revaluation increase the price even more.

Proportion of Profits from investment funds to total income decline from 10.59 percent in 2014 to (19.19) percent in 2015.

#### Gains on sale of investment in receivables

Gains on sale of investment in receivables decrease by Baht 17,000,000 from 2014. Due to the subsidiary's company has no such items in 2015, the proportion of total revenue in 2014 was 2.36 percent.

#### Interest income

Interest income revenue increased from Baht 17,232,551 in 2014 to Baht 31,395,327 in 2015, an increase by Baht 14,162,776 or 82.19 percent, due to the volume of deposits and customer growth.

#### Interest on margin loans

Interest on margin loans increased from Baht 46,827,905 in 2014 to Baht 60,590,521 in 2015, an increase by Baht 13,762,616 or 29.39 percent. Due to in 2015, the Company has expanded its business of providing loans to buy more shares and increase the interest rate on loans to buy securities charged to the customer. This is according to market conditions.

#### Other Revenues

Other Revenues of the Company as include the benefit has been allocated from the compensation fund in the settlement and delivery of securities, the benefit has been allocated from the Compensation Fund of derivatives, Revenue from fines for overdue, Interest income - Instalment Loans and income of subsidiaries company has amount Baht 18,522,060 in 2015, increase by baht 16,252,651 in 2014 or 716.16 percent, most of the increase in income of subsidiaries company was Baht 16,328,512 as detailed below;

Revenues from legal execution (Found Property)	1,929,912	Baht
Revenues from legal execution (Not Found Property)	1,137,600	Baht
Service revenues to wear/bring to court	13,261,000	Baht

#### *Total expenses for the year 2015 increased compared to the year 2014*

#### Financial costs

Financial costs of the Company increased from Baht 54,913,553 in 2014 to Baht 74,220,657 in 2015, an increase by Baht 19,307,104 or 35.16 percent, contributed by more deposits from an increasing number of clients and by loan interest from issuance of debt instruments to serve as current capital for the Company.

**Fees and service fees**

Fees and service fees payable increased from Baht 77,726,403 in 2014 to Baht 95,592,428 in 2015, an increase by Baht 17,866,025 or 22.99 percent, contributed by the increase of service fees payable as varied by the increase in the number of securities and derivatives trading brokerage transactions and the increase of fee paid to distributors bills which is corresponds to an increase in revenue from underwriting debt.

**Operating Expense**

Total Operating Expense increased from Baht 580,730,018 in 2014 to Baht 685,076,915 in 2015, an increase by Baht 104,346,897 or 17.97 percent mostly as a result of;

Personnel expenses increased from Baht 401,322,501 in 2014 to Baht 447,967,571 in 2015, an increase by Baht 46,645,070 or 11.62 percent, varying according to the trading volumes of securities and derivatives.

Premises and equipment expenses increased from Baht 98,864,973 in 2014 to Baht 127,397,531 in 2015, an increase by Baht 28,532,558 or 28.86 percent, due to more business expansion, branches and job system investments.

Other Expense as entertainment allowance, service information, service leaseline and Internet, bank charge, petrol, messenger, advertising and public relations, other fees, auditor fees, legal fees, specific business tax etc. Total amount in 2015 by Baht 89,281,146, compare with in 2014 was Baht 66,141,877, increase by Baht 23,139,269 or 34.98 percent. This is mainly caused by the expansion of the market, brokerage and derivatives transactions.

**Bad and doubtful debts**

In 2015, the Company has the reversal of bad debt and doubtful accounts amount Baht 491,590. As a result of the payment of the allowance for doubtful accounts is the Company's expectation. It has lowered the top down.

**Income Tax Expense**

Income Tax Expense for the year 2015 is not due to the Company's losses, But relating to origination and reversal of temporary differences amount Baht 1,314,397 that show as income tax.

**(2) Analysis on Company Financial Status*****Company Financial Status Overview as at 31 December 2015***

Total assets accounted for the decrease in the amount of 1,082,355,550 Baht from the previous amount of 3,329,305,295 Baht in 2014 to being 2,246,949,745 Baht in 2015 or an decrease of 32.51% in 2015 due to the reason that debtors of the loans for the purchase of securities accounted for the decrease in the amount of 458,664,692

Baht, debtors of Thailand Clearing House Co., Ltd., (TCH) decreased in the amount of 189,693,504 Baht, investments in the unit trust decreased in the amount of 380,436,413 Baht and cash and cash equivalent accounted for the decrease in the amount of 207,760,703 Baht while deposits in financial institutions accounted for the increase in the amount of 31,142,240 Baht. The total assets as at the end of 2015, mostly, were debtors in securities business and forward contracts which accounted for the proportion of 48.19% of the total assets.

The total liabilities accounted for the decrease in the amount of 1,136,072,832 Baht from the previous amount of 2,214,526,905 Baht in 2014 to being 1,078,454,073 Baht in 2015 or a decrease of 51.30% due to the reason that securities business creditors and forward contracts accounted for the decrease in the amount of 275,904,821 Baht and debt instruments issued and other loans accounted for the decrease in the amount of 788,291,900 Baht. The total liabilities as at the end of 2015, mostly, were the decrease of debt instruments issued and other loans which accounted for the proportion of 53.40% of the total liabilities.

Liabilities ratio to the equity of shareowners accounted for the decrease from the previous one of 1.99 times in 2014 to being 0.92 time in 2015 due to the decrease in the loans. In this respect, the finding of the capital sources of the company would be under liquidity risk management policy by having suitably financial cost.

The company's financial liquidity is favorable which as at 31 December 2015, the company accounted for Net Liquid Capital Rule (NCR) in the amount of 695,533,390 Baht or calculated to be the NCR ratio of 84.13% of general liabilities and assets being the collaterals which were higher than the minimum rate in accordance with the rules in maintaining NCR prescribed by Office of Securities and Exchange (SEC) which shall not be lower than 7% of the general liabilities and assets being the collaterals.

In conclusion, AECS Securities Public Co., Ltd., is deemed to be a securities company with strong financial condition and competency of solvency as well as the competency in seeking loans at the general standard level.

***Total assets as at 31 December 2015 accounted for a decrease compared with the total balance as at 31 December 2014.***

#### **Cash and Cash Equivalent**

Cash and cash equivalent accounted for a decrease in the amount of 207,760,703 Baht from the previous amount of 347,548,271 Baht in 2014 to be in the amount of 139,787,568 Baht in 2015 or an decrease of 59.78% caused by the reason of the change in the category of deposit to be the fixed deposit in the amount of 31,142,240 Baht which used in paying back the debt instrument which was due.

#### **Deposits at Banks**

Deposits at banks accounted for an increase in the amount of 31,142,240 Baht from the previous amount of 46,054,244 Baht in 2014 to be in the amount of 77,196,484 Baht in 2015 or an increase 67.62% for the reason that they were the fixed deposits which the company had used them as the collaterals of overdrafts and bank loans,

issuances of letter of guarantee by banks and for laying down as the security for the suspension of lawsuit case execution.

#### **Clearing House Account Receivables**

As at 31 December 2015, the company accounted for the Clearing House account receivables in the amount of 13,795,300 Baht. The Clearing House account receivable particular was the total net balance of the Clearing House account receivables arisen from price payment of securities trades and forward contracts including the money deposited as the security with the Clearing House in undertaking derivative transactions which would be altered in accordance with the trade value as at the ending date the accounting period cycle which was the normal fluctuation of securities business.

#### **Securities Business and Forward Contract Account Receivables**

Net securities business and forward contract account receivables as at 31 December 2015 accounted for the amount of 1,082,804,604 Baht, a decrease of 487,784,166 Baht or 31.06% compared with the total balance as at 31 December 2014 at the amount of 1,570,588,770 Baht. Mostly, the decrease had derived from debtors purchasing the securities in cash in the amount of 32,363,008 Baht which was altered in accordance with the securities trade value during the period of the last 3 working days of the year and a decrease in debtors of the loans for the purchase of securities in the amount of 458,664,692 Baht which was as a result of the condition on the purchase of securities in the Stock Exchange of Thailand which was fluctuated all along as mentioned above.

AECS classifies securities business account receivables and forward contract account receivables in accordance with Office of SEC Notification, Re: Account Preparations with regard to Non-performing Loan Account Receivables of Securities Company which, in this respect, the company has set the allowance for doubtful debt in full amount for the obligation classified as doubtful debt.

On the policy in setting up the allowance for doubtful debt, the company implements such policy by assessing status of each debtor and the overall debtors in corroboration with the consideration according to the rules of Office of Securities and Exchange Notification No. Kor.Thor.33/2543 and Kor.Thor.5/2544, dated 25 August 2000 and 15 February 2001. Such assessment includes the consideration on the risk and value of the security for use as a guarantee. The company sets up the allowance for doubtful debt whenever such debt is secured with insufficient collateral and/or there is a chance that the debtor cannot pay back the principal and interest in full amount.

In addition, as at 31 December 2015, the company set the allowance for doubtful debts in the amount of 86,558,562 Baht, a decrease from 2014 in the amount of 5,027,338 Baht consequently as a result of receiving performances on debts for which the allowance for doubtful debts of the company were set up, hence, the total balance of the allowance for doubtful debts was adjusted to be a decrease.



### Investment Capital

Net investment capital as at 31 December 2015 accounted for the amount of 567,079,620 Baht, a decrease of 264,101,692 Baht or 31.77% compared with the total balance as at 31 December 2014 at the amount of 831,181,312 Baht consequently as a result of the decrease in the interim investment capital which was the investment capital unit trusts in the amount of 380,436,43 Baht due to the reason that the company was required to take the money derived from the sales of the unit trusts for paying back debt instrument which was due.

Moreover, the company has a long-term investment capital being the investment capital in available-for-sale debt instrument and debt instrument which will be held until the maturity, of the company having problem on debt payment with cost price in the amount of 28,500,000 Baht and 8,500,000 Baht, respectively. Said capital cannot be computed for a fair value, however, the company has already set up the allowance for doubtful debt in full amount.

### Building and Equipment Improvement Equity

Building and equipment improvement equity value is stated according to the cost price less accumulated depreciation and the allowance for asset devaluation, (if any). Where building and equipment improvement equity depreciation is computed from cost price of the assets by straight-line method based on the useful lives of the assets.

Building and equipment improvement equity mostly consisted of computer equipment and accessories, office equipment and supplies, and office furniture which accounted for the book values as at 31 December 2015 of equal to 218,857,459 Baht compared with the total balance as at the end of 2014 which was equal to 218,307,957 Baht, an increase of 549,502 Baht or 0.25%.

During the year, AECS made changes in the estimated useful lives on the office building lease improvement equity from 5 years to 10 years due to the reason that the office buildings have reflected the actual useful lives at the present and the economic benefits expected to receive in the future, to be more suitable. The company therefore made changes in the estimated useful lives of the assets by using the method of the immediate change, etc.

The amount of money affecting transactions in the All-Inclusive and Ad Hoc Statements of Income is as follows:

	<u>Increase (Decrease) Profit after Tax</u>	<u>Increase (Decrease) per Share</u>
	(Thousand Baht)	(Baht per Share)
For the year 2015	9,280	0.01
For the year 2016	12,494	0.01
For the year 2017	12,494	0.01
For the year 2018	10,199	0.01
For the year 2019-2024	(44,467)	(0.04)

**Goodwill**

AECS records the goodwill in the Consolidated Statements of Income in the amount of 4,376,116 Baht arisen from the differences of the purchase prices of subsidiary companies that exceed the fair value as at the time of the purchase and that the devaluation test is conducted every year or whenever there is an indication on the rising of the devaluation.

**Other Assets**

AECS accounts for other assets which are deposit money, Damage Compensation Fund contributions, securities deposit for stability, advance expenses, accrued interests, accrued revenues, other account receivables which account for the total net book value as at 31 December 2015 of equal to 92,356,345 Baht compared with the total balance as at the end of 2014 which was equal to 54,142,106 Baht, would be an increase of 38,214,239 Baht or 70.58%. That was consequently as a result of the increase in the revenues on the accrued service fees which was equal to 20,869,110 Baht and other account receivables of subsidiary companies which were increased equally to the amount of 10,981,637 Baht.

*Total liabilities as at 31 December 2015 accounted for a decrease compared with the total balance as at 31 December 2014.*

**Securities Business and Forward Contract Account Payables**

Securities Business and Forward Contract Account Payables as at 31 December 2015 accounted for the amount of 284,325,781 Baht when comparing with the total balance as at the end of 2014 in the amount of 560,230,602 Baht was a decrease of 275,904,821 Baht or 49.25%. Mostly, the decrease had derived from debtors purchasing the securities in cash in the amount of 301,688,992 Baht with major cause from the decrease in the value of securities purchase in the last 3 working days of the year 2015 compared with the year 2014.

**Issued Debt Instrument and Other Loans**

Issued debt instrument and other loans as at 31 December 2015 accounted for the amount of 575,923,317 Baht when comparing with the total balance as at the end of 2014 in the amount of 1,364,215,217 Baht was a decrease of 788,291,900 Baht or 57.78% due to the reason that subordinate debentures are due for redemption.

(Unit: One Thousand Baht)

Consolidated Financial Statements and Ad Hoc  
Financial Statements

2015

		Period of Time of Debts due for Payment			
		Less than 1	1 – 5	Over 5	Total
		year	year(s)	years	
Interest Rate					
(Percentage)					
Bill of Exchange	4.62 – 5.00	300,923	-	-	300,923
Subordinate Debenture	5.10 – 6.00	205,000	70,000	-	275,000
Total		505,923	70,000	-	575,923

(Unit: One Thousand Baht)

Consolidated Financial Statements and Ad Hoc  
Financial Statements

2014

		Period of Time of Debts due for Payment			
		Less than 1	1 – 5	Over 5	Total
		year	year(s)	years	
Interest Rate					
(Percentage)					
Bill of Exchange	4.80 - 5.50	295,215	-	-	295,215
Subordinate Debenture	5.00 - 6.00	614,000	455,000	-	1,069,000
Total		909,215	455,000	-	1,364,215

### Accrued Expenses

The company accounted for the accrued expenses as at 31 December 2015 in the amount of 70,170,896 Baht compared with the total balance as at the end of 2014 in the amount of 110,429,155 Baht was a decrease of 40,321,259 Baht or 36.49% which mostly were employees accrued expenses to be disbursed in 2016 which are remunerations for marketing staff, investment advisors and marketing line supervisors, fees for licensees required to pay the fees which will depend on business volumes and the fixed fees in accordance with the rules on marketing remuneration payments officially prescribed and supplier creditors and other expenses which are the accrued interests, accrued commissions, accrued entertainment costs, accrued audit fees.

*Joint tenant equity as at 31 December 2015 accounted for an increase compared with the total balance as at 31 December 2014.*

AECS accounted for joint tenant equity as at 31 December 2015 in the amount of 1,168,495,672, an increase by 53,717,282 Baht compared with the same installment of 2014 which accounted for the amount of 1,114,778,390 Baht or 4.82%.

#### Liquidity and Sufficiency of Company's Investment Capital

##### Liquidity:

In 2015, the company accounted for a decrease in the particulars of net cash and cash equivalent in the amount of 207,760,703 Baht by dividing in details of the cash flow in each activity as follows:

	2015	2014
Cash flow from operation activities	486,843,890	(1,227,758,524)
Cash flow from investment activities	(152,132,921)	(201,526,906)
Cash flow from financing activities	(542,471,672)	1,532,235,046
Cash and cash equivalent increase (decrease) –	(207,760,703)	102,949,616
Net		

##### **Cash flow from operation activities:**

In 2015, AECS accounted for net cash flow acquired from operation activities in the total amount of 486,843,890 Baht which, in this connection, there was a cash flow deficit from the operation activities after the look up in the amount of 61,547,042 Baht and a change in the operating assets which was decreased in the amount of 893,503,832 Baht and operational liabilities decreased in the amount of 345,112,900 Baht.

##### **Cash flow from investment activities:**

In 2015, AECS accounted for net cash flow for use in spending on the investment activities in the total amount of 152,132,921 Baht mainly caused by taking cash for payment of the cost of building improvement and equipment purchase equity in the amount of 54,755,434 Baht for the purchase of the general investment capital of 50,000,010 Baht and cash disbursed for the purchase of private debt instruments of 40,000,000 Baht.

##### **Cash flow from financing activities:**

In 2015, AECS accounted for net cash flow for use in spending on the financing activities in the amount of 542,471,672 Baht mainly caused from the pay back of debt instruments due for redemption in the amount of 788,291,900 Baht and that the company received money from the capital increase in the amount of 246,501,049 Baht.

Any rate, in considering the company's liquidity, there is an issue to take into additional consideration which is Net Collectible Revenue (NCR) which shall be in accordance with the rules prescribed by Office of Securities and Exchange, as well. The company has the policy on NCR and NCR ratio higher than what is prescribed by Office of Securities and Exchange, i. e. Office of Securities and Exchange has prescribed the NCR not to be lower than 25 million Baht and NCR ratio not to be lower than 7% of the general liabilities and assets required to be laid down as collaterals. In this respect, the company, over the past 2 years (2014-2015) could maintain NCR ratio higher than 7%. This can be expressed that the company has possessed the liquidity sufficient to carry out business operations which, in this respect, the company had the NCR in 2014 of 85.05% and in 2015 of 84.13% provided, however, that the NCR ratio will vary according to various factors such as securities trade volumes, investment capital quantity, quantity of issued debentures and debt instruments and underwriting, etc.

#### Sources of Capital:

As at 31 December 2015, the company's sources of capital were from liabilities in the amount of 1,078,454,073 Baht and shareholders' equity in the amount of 1,168,495,672 Baht with the ratio of liabilities to shareholders' equity as at 31 December 2014 and 2015 equal to 1.99 times and 0.92 time, respectively. Most of the company's liabilities were securities business account payables and forward contracts which varied in accordance with the trades of securities in the last three working days of each accounting period cycle including the issued debt instruments and other loans. Any rate, if consideration should be taken on the rate of liabilities to shareholders' equity, without including securities business account payables and forward contracts, the company would account for the ratio of liabilities to shareholders' equity as at 31 December 2014 and 2015 equal to 1.48 times and 0.68 time, respectively.

The company has a plan to seek loans for use as circulating capital and money for paying back the debt instruments due for payments, as follows:

1. Source of short-term capitals which are the issuance of bills of exchange with lifetime of not exceeding 270 days, loans from financial institutions and the making of Private Repo.
2. Source of long-term capitals which the company will seek the approval on the offerings of debentures from the shareholders meeting on 29 April 2016 in the financial limit of not exceeding 2,000,000,000 Baht and it is expected that the offerings can be made to Institution Investor & High Net Worth (II&HNW) in the third quarter of 2016.

#### **Liabilities Estimate**

AECS records liabilities estimate in the account when its obligations resultant from the events in the past which already occurred and there is a possibility that the company will lose the economic resources in order to release such obligations and the company can estimate such obligation value with reliability.

The company has the liabilities which will occur in the future and obligations on lawsuit cases as follows:

1. Cases which the company was sued by securities business clients:

1.1 The company was sued as the 2<sup>nd</sup> defendant by a securities business client in order to recover securities in the amount of approximately 3.3 million Baht during the year 2004. The Court handed down the judgment ordering the company, as the employer, to be jointly liable with the 1<sup>st</sup> Defendant and on 29 January 2010, the Civil Court handed down the judgment confirming the judgment of the Court of First Instance. Subsequently, the company lodged dika appeal and that, at the present, the case is still pending the trial of Supreme (Dika) Court. Capital involved in the lawsuit included the principal and interest in the total amount of 4.5 million Baht. However, the company posted a guarantee to suspend the execution of the case by depositing the deposits in financial institutions as the guarantee and purchasing the securities as a reserve in the amount of approximately 0.1 million Baht and as at 31 December 2015 and 2014, the company recorded the liabilities estimate from the lawsuit cases in the amount of 5.6 million Baht.

1.2 In 2009, the company was sued by a securities business client for compensation payment of damages from a breach of agency contract and/or securities broker with the capital involved in the lawsuit in the amount of 34.8 million Baht. On 17 February 2011, the Court of First Instance handed down the judgment ordering the company to be liable to plaintiff. During the year 2012, the company lodged an appeal and on 22 August 2014, the Civil Court handed down the judgment dismissing the charge. Currently, the case is pending the consideration of the Supreme Court as to whether the plaintiff will be authorized to submit the dika appeal or not. In this respect, the Management believes that the company will not be liable for such damages.

However, if the cases abovementioned should cause an additional damage to the company in excess of the liabilities estimate as considered by the company above, the company is entitled to claim damage from UOB KayHian Securities Company under the Right Transfer Agreement between the company and the new controlling shareholder. In this respect, the received the transfer of the right of claim for damage from lawsuit case occurring before 26 March 2013 from the controlling shareholder. In this connection, the company can claim damage from UOB KayHian Securities Company within 60 days from the date on which the case is finalized.

2. Case which the company was sued by its original controlling shareholder:

In 2013, the company was sued by its original controlling shareholder as the 3<sup>rd</sup> defendant forbidding it to transfer the Stock Exchange of Thailand (SET) membership to UOB KayHian Securities Company as approved from the Board of Directors meeting, 3/2013, on 23 September 2014. The Court of First Instance handed down the judgment dismissing the charge. However, said original controlling shareholder submitted an appeal against the judgment of the Court of First Instance. The Appeal Court handed down the judgment dismissing the charge of the plaintiff. The plaintiff submitted dika appeal which is currently pending the consideration of the Supreme Court. Therefore, as at 31 December 2015,

the company has not yet transferred the Stock Exchange of Thailand membership to UOB KayHian Securities Company.

**Factors affecting the operations in the future**

Because of the reason that the Stock Exchange of Thailand in 2015, was faced with the fluctuation all year long with various factors affecting the operations of the company which were economic and political situation, situations both inside and outside of the country which are expected to continuously affect until 2016 which may affect the company's financial status and turnovers in the same way as in 2015 no matter what it would be about the trend on the change in the interest rates, the fluctuation of oil prices, the political uncertainty and financial policy of the Bank of Thailand including Thailand and global economic situation. All these factors will affect the confidence of investors both in country and overseas. However, the key factor which is most important to affect the company's operations in 2016 is the political and government condition of the country which will have the effect on the decisions on the investments of foreign investors.

On the aspect of the risk from the change in the price of securities invested by the company, it will have the effect on the profit or loss from the investment in the securities of the company. The company has therefore maintained the strategy on the diversifications of the investments as the key factor in order to help reduce this risk and mapped out the investment policy and stipulated expressly clear Regulations for use as practical guidelines to cope with the situation. In respect of the risk on price payment and error which may occur consequently as a result of the trades, the company implements the measures on controlling and managing the risk relating to securities purchase books to be efficient and bringing in new business as the alternative in increasing the source of revenues to be more diversifications in 2016. With all these measures, the company believes that the carrying out of the strategy on the diversifications of the income base is still the key factor to make the company achieve better operational result other than placing the importance in carrying out the securities business in accordance with the principle of good corporate governance and honesty by taking into account the benefits of the stakeholders in all aspects perpetually.