

TSFC Securities Public Company Limited  
(Formerly known as “TSFC Securities Limited”)  
Report and financial statements  
31 December 2009 and 2008

**Report of Independent Auditor**

To The Shareholders of TSFC Securities Public Company Limited  
(Formerly known as “TSFC Securities Limited”)

I have audited the accompanying balance sheets of TSFC Securities Public Company Limited as at 31 December 2009 and 2008, the related statements of income, changes in shareholders' equity, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion and issue a report on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion and my report.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TSFC Securities Public Company Limited as at 31 December 2009, the results of its operations, and its cash flows for the year then ended, in accordance with generally accepted accounting principles.

I previously reported on the financial statements for the year ended 31 December 2008, and issued a disclaimer of opinion under my report dated 22 January 2009, due to the existence of several material uncertainties, which cast significant doubt on the Company's ability to continue as a going concern. However, the balances of the Company's asset and liabilities are now substantially lower and it has successfully undergone capital restructuring. As a result, the existence of several material uncertainties has eased, as discussed in Note 1.2 to the financial statements.

Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited  
Bangkok: 16 March 2010

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**

**Balance sheets**

**As at 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>			
Cash and deposits at financial institutions	5	51,363,163	671,424,440
Investments in securities			
Securities for investment		1,289,887,708	4,222,307,687
Less: Allowance for diminution in value of securities		-	(4,295,520)
Investments in securities - net	6	1,289,887,708	4,218,012,167
Trading transactions pending clearance		72,564,292	14,132,086
Loans, securities business receivables and accrued interest receivables	7		
Loans and securities business receivables		2,856,750,057	3,763,815,164
Accrued interest receivables		15,145	137,667
Total loans, securities business receivables and accrued interest receivables		2,856,765,202	3,763,952,831
Less: Allowance for doubtful accounts	8	(463,745,079)	(464,478,956)
Loans, securities business receivables and accrued interest receivables - net		2,393,020,123	3,299,473,875
Equipment - net	9	27,882,393	48,429,148
Intangible assets - net	10	68,533,003	54,648,057
Accrued interest receivables		14,535,014	22,929,765
Cash collateral for derivative contracts		-	340,249,697
Other assets	11	37,555,580	36,141,696
<b>Total assets</b>		<b>3,955,341,276</b>	<b>8,705,440,931</b>

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

.....  
(Mrs. Napaporn Landy)

Director

.....  
(Mrs. Nongram Wongwanich)

Director

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**

**Balance sheets (continued)**

**As at 31 December 2009 and 2008**

	Note	<u>2009</u>	<u>2008</u>
(Unit: Baht)			
<b>Liabilities and shareholders' equity</b>			
<b>Borrowings</b>			
	12		
From banks		1,000,000,000	1,149,867,648
From financial institutions		-	7,366,253,412
Total borrowings		1,000,000,000	8,516,121,060
Payable from restructuring agreement	13	1,658,462,730	-
Securities business payables		127,490,158	14,558,814
Account payable from purchase of investments		-	267,500
Accrued interest payable		1,014,726	97,521,122
Other liabilities	14, 23.1	9,389,950	15,086,144
<b>Total liabilities</b>		<u>2,796,357,564</u>	<u>8,643,554,640</u>
<b>Shareholders' equity</b>			
Share capital	15		
Authorised, issued and fully paid-up			
130,000,050 ordinary shares (2008: 100,000,000 ordinary shares)			
of Baht 10 each		<u>1,300,000,500</u>	<u>1,000,000,000</u>
Issued and fully paid-up			
101,673,984 ordinary shares (2008: 100,000,000 ordinary shares)		1,016,739,840	1,000,000,000
of Baht 10 each			
Retained earnings			
Appropriated			
Statutory reserve	16	-	90,633,214
Unappropriated		128,198,818	(41,729,567)
Net unrealised gain (loss) on securities for investment	6.2	14,045,054	(987,017,356)
<b>Total shareholders' equity</b>		<u>1,158,983,712</u>	<u>61,886,291</u>
<b>Total liabilities and shareholders' equity</b>		<u>3,955,341,276</u>	<u>8,705,440,931</u>
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The accompanying notes are an integral part of the financial statements.

.....  
(Mrs. Napaporn Landy)

Director

.....  
(Mrs. Nongram Wongwanich)

Director

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**

**Income statements**

**For the years ended 31 December 2009 and 2008**

	Note	2009	2008
(Unit: Baht)			
<b>Interest and dividend income</b>			
Loans and deposits		223,785,950	410,926,695
Securities	6	42,940,788	426,388,200
<b>Total interest and dividend income</b>		<u>266,726,738</u>	<u>837,314,895</u>
<b>Expenses on borrowings</b>			
Interest and discounts on borrowings		119,172,320	651,381,153
<b>Total expenses on borrowings</b>		<u>119,172,320</u>	<u>651,381,153</u>
Net interest and dividend income		147,554,418	185,933,742
Bad debts and doubtful accounts (reversal)	8	(733,877)	262,173,089
Net interest and dividend income (expenses) after doubtful accounts		<u>148,288,295</u>	<u>(76,239,347)</u>
<b>Non-interest income</b>			
Gain (loss) on trading in securities	6.3	57,711,770	(631,635,792)
Reversal loss from impairment of securities (loss)		(1,067,341,581)	3,978,181
Gain on restructuring	13	148,769,973	-
Fees and services income		107,467	1,833,974
Gain (loss) on sales of equipment		(4,543,131)	2,358,576
Other income		-	4,131
Total non-interest expenses		<u>(865,295,502)</u>	<u>(623,460,930)</u>
<b>Operating expenses</b>			
Personnel expenses		68,700,790	75,736,157
Premises and equipment expenses		34,221,002	36,121,236
Taxes and duties		7,492,307	13,648,733
Directors' remuneration		1,735,250	14,879,700
Other expenses		29,048,243	34,000,852
Total operating expenses		<u>141,197,592</u>	<u>174,386,678</u>
Loss before income tax		(858,204,799)	(874,086,955)
Income tax	17	-	26,477,065
<b>Net loss for the year</b>		<u>(858,204,799)</u>	<u>(900,564,020)</u>
<b>Basic earnings per share</b>	18		
Net loss		<u>(17.57)</u>	<u>(144.09)</u>
Weight average ordinary shares		<u>48,838,277</u>	<u>6,250,003</u>

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

.....  
(Mrs. Napaporn Landy)  
Director

.....  
(Mrs. Nongram Wongwanich)  
Director

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2009 and 2008**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
(Unit: Baht)			
<b>Share capital - ordinary shares</b>			
At beginning of year		1,000,000,000	1,000,000,000
Increase during year		954,239,810	-
Decrease during year		(937,499,970)	-
At end of year		<u>1,016,739,840</u>	<u>1,000,000,000</u>
<b>Retained earnings</b>			
Appropriated			
Statutory reserve			
At beginning of year		90,633,214	72,577,682
Increase during year		-	18,055,532
Decrease during year		(90,633,214)	-
At end of year	16	<u>-</u>	<u>90,633,214</u>
Unappropriated			
At beginning of year		(41,729,567)	1,056,889,985
Increase during year - net loss for the year		(858,204,799)	(900,564,020)
- transfer from share capital and statutory reserve		1,028,133,184	-
Decrease during year - transfer to statutory reserve	16	-	(18,055,532)
- dividends paid	20	-	(180,000,000)
At end of year		<u>128,198,818</u>	<u>(41,729,567)</u>
<b>Net unrealised gains (loss) on securities for investment</b>			
At beginning of year		(987,017,356)	(525,142)
Change during year		1,001,062,410	(986,492,214)
At end of year	6.2	<u>14,045,054</u>	<u>(987,017,356)</u>
<b>Total shareholders' equity</b>		<u><u>1,158,983,712</u></u>	<u><u>61,886,291</u></u>

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

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**

**Statements of retained earnings**

**For the years ended 31 December 2009 and 2008**

		(Unit: Baht)	
	<u>Note</u>	<u>2009</u>	<u>2008</u>
<b>Unappropriated retained earnings</b>			
At beginning of year		(41,729,567)	1,056,889,985
Transfer to statutory reserve	16	-	(18,055,532)
Dividends paid	20	-	(180,000,000)
Net loss for year		(858,204,799)	(900,564,020)
Transfer from share capital and statutory reserve		1,028,133,184	-
Total unappropriated retained earnings (deficit)		<u>128,198,818</u>	<u>(41,729,567)</u>
<b>Appropriated retained earnings</b>			
Statutory reserve	16	-	90,633,214
Total appropriated retained earnings		-	90,633,214
<b>Total retained earnings</b>		<u><u>128,198,818</u></u>	<u><u>48,903,647</u></u>

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



**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**

**Cash flow statements**

**For the years ended 31 December 2009 and 2008**

	<u>2009</u>	(Unit: Baht) <u>2008</u>
<b>Cash flows from operating activities</b>		
Net loss before tax	(858,204,799)	(874,086,955)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortisation	15,337,172	15,489,511
Amortisation of discount on investments in bonds and debentures	-	(24,368,629)
Amortisation of premium on investments in bonds and debentures	7,698,881	42,560,609
Bad debts and doubtful accounts (reversal)	(733,877)	262,173,089
Deferred tax	-	26,477,065
Loss on diminution in value of investments (reversal)	1,067,341,581	(3,978,181)
(Gain) loss on trading in securities	(26,223,270)	631,635,792
(Gain) loss on disposal and write-off of equipment	4,543,131	(2,358,576)
Gain on restructuring agreement	(148,769,973)	-
Revalue of investment from hedging on derivative instruments	-	256,800
Increase in accrued dividend and interest receivables	(266,726,737)	(837,314,894)
Decrease in accrued expenses	(4,091,466)	(28,392,781)
Interest expenses	119,172,320	651,381,153
Loss from operating activities before changes in operating assets and liabilities	(90,657,037)	(140,525,997)
(Increase) decrease in operating assets		
Investment in short-term securities for investment	(3,251,273)	1,294,656,185
Trading transactions pending clearance	(58,432,206)	(14,132,086)
Loans and securities business receivables	907,065,107	4,224,727,757
Restricted fixed deposit at financial institution	(19,376)	(39,480)
Other assets	338,383,863	(368,261,492)
Increase (decrease) in operating liabilities		
Borrowings from banks and financial institutions	1,000,000,000	(7,948,284,527)
Securities sold under repurchase agreements	-	(1,260,629,502)
Trading transactions pending clearance	-	(637,102,829)
Securities business payables	112,931,344	(548,059,649)
Other liabilities	(3,301,794)	2,853,296
<b>Cash from (used in) operating activities</b>	<u>2,202,718,628</u>	<u>(5,394,798,324)</u>
Cash received from interest income	223,908,564	410,946,162
Cash paid from interest expenses	(6,694,092)	(645,315,142)
Cash paid for corporate income tax	(435,744)	(24,587,725)
<b>Net cash from (used in) operating activities</b>	<u>2,419,497,356</u>	<u>(5,653,755,029)</u>

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

**TSFC Securities Public Company Limited**  
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**Cash flow statements (continued)**

**For the years ended 31 December 2009 and 2008**

	(Unit: Baht)	
	<u>2009</u>	<u>2008</u>
<b>Cash flows from investing activities</b>		
Payments to acquire available-for-sale securities	(2,200,000,000)	(24,179,902,109)
Proceeds on disposal of available-for-sale securities	5,083,620,951	30,242,807,118
Cash received from dividends received	10,127,610	196,632,739
Cash received from interest on investments	41,207,835	322,750,725
Payments to acquire equipment	(421,213)	(39,979,257)
Proceeds on disposal of equipment	3,881,299	4,956,476
Payments to acquire intangible assets	(14,361,319)	(48,244,994)
<b>Net cash from investing activities</b>	<u>2,924,055,163</u>	<u>6,499,020,698</u>
<b>Cash flows from financing activities</b>		
Bank overdrafts	333,298	-
Dividends paid	-	(180,000,000)
Payments interests under restructuring agreement	(78,243,741)	-
Payments principle under restructuring agreement	(6,539,629,221)	-
Increase paid-up capital	654,239,790	-
<b>Net cash used in financing activities</b>	<u>(5,963,299,874)</u>	<u>(180,000,000)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(619,747,355)	665,265,669
Cash and cash equivalents at beginning of year	670,351,662	5,085,993
<b>Cash and cash equivalents at end of year (Note 5)</b>	<u><u>50,604,307</u></u>	<u><u>670,351,662</u></u>

**Supplement cash flows information**

Non-cash item

Payable from acquire equipment	79,180	-
Payable from acquire intangible assets	1,350,567	262,096
Payable from restructuring agreement	1,658,462,730	-
Convert debts to equity under restructuring agreement	300,000,020	-

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

**TSFC Securities Public Company Limited**  
**(Formerly known as “TSFC Securities Limited”)**  
**Notes to financial statements**  
**For the years ended 31 December 2009 and 2008**

**1. General information**

**1.1 Corporate information**

TSFC Securities Limited (hereinafter referred to as “the Company”) is a limited company incorporated and domiciled in Thailand. The Company is principally engaged in securities business and has two business licenses to engage in granting credits to securities business and securities borrowing and lending business. On 31 March 2009, the Company registered as a Public Company Limited with the Ministry of Commerce and changed its name from “TSFC Securities Limited” to “TSFC Securities Public Company Limited”. Its registered address is located at 10th Floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Patumwan, Bangkok.

The Board of Director Meeting No.6/2552 appointed Mrs. Napaporn Landy to the position of President, replacing Mr. Akarat Na Ranong, effective from 1 July 2009.

**1.2 Fundamental accounting assumption**

The financial crisis in the year 2008 has materially affected the global economy, and the Thailand stock index has fallen drastically. The Company consequently recognised impairment loss totaling Baht 1,071.6 million for investments in securities with fair values lower than their carrying amount, in the income statement during the year 2009.

On 28 November 2008, the Office of the Securities and Exchange Commission issued letter No. KorLorTor.Dor.2207/2551 to notify the Company of a Capital Markets Supervisory Board order that the Company cease additional lending to investors for purchasing investments or any expansion of its other operations; including the cessation of any additional investment in securities and other funds except for investments in government debt securities that are fully and unconditionally guaranteed by the Ministry of Finance or investments in money market funds or any operations to mitigate risk in respect at any existing investments. On 12 December 2008, a Board of Directors Meeting passed a resolution to cease repayment of loans that came due, effective from 16 December 2008, to prepare the Company for a rehabilitation process under the Bankruptcy Act B.E. 2483. The Company must find

sources of funds for doing business and to repay debt. On 16 January 2009, the Extraordinary General Meeting No. 1/2552 acknowledged the progress of the rehabilitation plan of the Company, and the resolution of the 9 January 2009 meeting between the Company and the creditors to extend the deadline for submission of the rehabilitation plan by 1 month, to 12 February 2009. The Capital Markets Supervisory Board met on 16 January 2009 and approved the extension of the deadline for submission of the rehabilitation plan under the Bankruptcy Act B.E. 2483, as the Company requested. The Company has hired a financial advisor and a legal consultant to undertake various necessary tasks, such as negotiating with creditors and meeting with shareholders to resolve the Company's financial position, including plans to increase capital and to enter a rehabilitation process. As at 13 February 2009, The Capital Markets Supervisory Board approved the extension of the deadline for the implementation of the debt restructuring and capital plans outside of court proceedings until July 2009, as the Company had requested. The Company will provide the Office of the Securities and Exchange Commission with monthly progress reports. On 20 March 2009, the Company signed a debt restructuring agreement with financial creditors totaling Baht 8,725,476,464. For the purpose of the capital restructuring and to issue capital to support the capital restructuring, the Company decreased its registered and paid up capital and registered newly issued capital, as discuss in Note 15.

On 16 June 2009, the investors entered into agreements to subscribe to 44,931,167 new shares of the Company at a price of Baht 10 each, for a total of Baht 449,311,670, with the condition that the Company was to reduce its registered share capital to Baht 62.5 million and then increase its share capital to Baht 1,300 million. The Company must have evidence showing that all creditors have the right to convert debt to equity. The Annual General Meeting of the Company approved the increase in share capital and passed a resolution to issue 30,000,002 shares to the financial creditors in settlement of debt, with the financial creditors under debt restructuring agreements to release the Company from all remaining debts that are not restructured, amounting to Baht 249,999,999.94. The amount received from for the additional shares from investors that are securities companies together with the value of the debt to equity conversion under debt restructuring agreements for the financial creditors that are securities companies must be not less than Baht 150 million. In addition, following receipt of share payment and conversion of debt to equity the Company's capital ratio must be not less than 10 percent, and the Company must have evidence showing that the Company has available sources of credit from financial institutions totaling not less than Baht 2,500 million.

On 10 July 2009, Meeting No. 8/2552 of the SEC's Capital Market Supervisory Board (CMSB) passed a resolution to allow the Company to resume operations when its recapitalisation is successfully completed. The Capital Market Supervisory Board had ordered the Company to increase its capital by not less than Baht 279 million in order to meet the legally required capital adequacy ratio, and for as long as the Company was unable to increase its capital by the full amount, the Company was ordered to cease any expansion of its operations and additional investment.

On 24 July 2009, the Company complied with the conditions specified in the agreements to subscribe to the shares and received payment amounting to Baht 449,311,670 from the investors as specified in the agreement, Baht 204,928,120 from government sector investors and Baht 300,000,020 from conversion of debt to equity. Together with the paid-up share capital before in the share capital increase, amounting to Baht 62,500,030, the Company's paid-up capital thus totalled Baht 1,016,739,840 and the Company registered the increase in its capital with the Ministry of Commerce on 24 July 2009.

The Company has notified the SEC of the success of its debt restructuring, included the process of reducing capital to offset its deficit and increasing its called up share capital from Baht 62,500,030 to Baht 1,016,739,840. Baht 300,000,020 of this increase was by means of conversion of debt to equity in accordance with the debt restructuring agreement, and Baht 654,239,790 from the call of additional share capital. The Company registered the increase with the Ministry of Commerce on 24 July 2009. As a result of such increase in paid-up capital the Company's capital funds increased and its capital adequacy ratio stands at 28.97 percent, as of 24 July 2009, which is sufficient to support the Company's a normal business and meet the legally required level (not less than 8 percent). CMSB has therefore approved the Company's resumption or normal business when it has registered the increase in its paid-up capital with the Ministry of Commerce and when Office of the SEC has examined the Company and opined that the Company's systems and manpower are ready to commerce normal operations. Based on its examination of the Company's readiness to operate lending to purchase securities, the SEC concluded that the Company's systems were ready to support such business and therefore, under its notice KorLorTor. Dor. 1145/2552, dated 23 July 2009, approved the Company's operation of normal lending to purchase securities once it has successfully increased its share capital and completed its financial restructuring.

The Company has successfully implemented the rehabilitation process, the increase of capital and the sourcing of funds, and the requirements of the debt restructuring agreement, and has been able to recommence operation of its lending to purchase securities business following its successful capital restructuring. The financial statements have therefore been prepared on a going concern basis.

### **1.3 Adoption of new accounting standards**

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

#### **a) Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year**

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale  
and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for Leasehold Right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007) do not have any significant impact on the financial statements for the current year.

**b) Accounting standards which are not effective for the current year**

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

**2. Basis of preparation**

The financial statements in Thai language have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act. B.E. 2547, and in accordance with Notification of the Office of the Securities and Exchange Commission except for the early adoption of Accounting Standard No. 12 “Accounting for Income Tax” which is in line with International Accounting Standard (IAS) No. 12 “Income Taxes” (revised 1996).

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

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

### **3. Significant accounting policies**

#### **3.1 Revenue and expenses recognition**

##### a) Revenue recognition

The Company recognises interest income on loans and receivables on an accrual basis, based on the amount principal outstanding, except for interest on loans to and amounts receivable from financial institutions and securities companies which are overdue more than 90 days where income is recognised on the basis of the amount collected.

The Company ceases recognising income from securities business loans on an accrual basis when there is uncertainty as to the collectability of the loans and interest.

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

- (1) Loans are not fully collateralised.
- (2) Principal or interest payments of installment loans with repayments scheduled no less frequently than every 3 months is overdue by more than 3 months.
- (3) Installment loans with repayments scheduled less frequently than every 3 months, unless there is clear evidence and a high degree of certainty that full repayment will be received.
- (4) Problem financial institutions.
- (5) Other receivables from which interest payment is overdue for 3 months or more.

These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission.

The Company recognises interest income on securities on an accrual basis. Dividends are recognised as income when the dividend is declared.

Gain (loss) on trading in securities is recognised as income/expense when trading dates.



The Company recognises the surcharges on the collection basis for securities purchased under resale agreements which are not repurchased under the conditions.

Fees and service income is recognised on an accrual basis.

b) Expenses recognition

The Company recognises expenses on an accrual basis.

### **3.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

### **3.3 Investments in securities**

Available-for-sale securities consist of investments in marketable debt and equity securities that are not classified as trading or held-to-maturity securities. They are presented at fair value, with changes in the fair values being presented as unrealised gains or losses in shareholders' equity, unless the investments are subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in the income statements.

The fair value of debt securities traded in the established market is based on the quoted prices or yields of the debt securities at the balance sheet date, or the latest trading date prior to the balance sheet date if there was no trading on that date. If the debt securities are not traded in the established market, the fair value is calculated by reference to the risk-free yield curve adjusted by the appropriate risk premium.

Fair value of marketable equity securities is calculated by reference to Stock Exchange of Thailand quoted bid prices at the close of business on the balance sheet date. The fair value of unit trusts is determined from the net assets value (NAV) published by the mutual fund management companies acting as the fund managers.

Investments in available-for-sale securities are evaluated at each reporting date to determine if there is any indication of impairment. If there is any impairment, these investments are then stated at the net value of allowance for impairment loss. Loss on impairment in value is charged directly to income statements when incurred.

Realised gains and losses on sale of securities are determined on weighted average method and reflected in the income statements.

#### **3.4 Trading transactions pending clearance**

Trading transactions pending clearance represent customer trading transactions during the last 3 days of the accounting period, for which settlement was not yet due at the balance sheet date.

#### **3.5 Securities purchased under resale agreements/securities sold under repurchase agreements**

Securities purchased under resale agreements/securities sold under repurchase agreements are carried at cost. However, the securities will subsequently be repurchased or resold at a price which includes interest.

#### **3.6 Allowance for doubtful accounts**

The allowance for doubtful accounts is based on management's evaluation of the adequacy of the reserve for doubtful accounts. The evaluation encompasses consideration of past collection experience and other factors including the change in composition and volume of receivables and the relationship of the reserve to the portfolio and local economic conditions and compliance with the Office of the Securities and Exchange Commission's notification regarding the accounting for sub-standard loans of securities companies which undertake the granting of credits to securities businesses.

#### **3.7 Equipment and depreciation**

Equipment is stated at cost less accumulated depreciation. Depreciation is provided for all equipment using the straight-line basis over the estimated useful lives as follows:

Leasehold improvement	5 - 6 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	5 years

No depreciation is provided for equipment under installation.

Depreciation is included in determining income.

Expenditures for additions, renewals and betterments, which result in a substantial increase in an asset's current replacement value, are capitalised. Repair and maintenance costs are recognised as an expense when incurred.

### **3.8 Intangible assets and amortisation**

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense is recognised in the income statement as an expense.

Intangible assets with finite lives as follows:

Computer software	5 years
-------------------	---------

### **3.9 Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that based on information available, reflects the amount that the Company could obtain at the balance sheet date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

The Company recognised impairment losses in the income statements in the expenses category consistent with the function of each impairment of assets.

### **3.10 Derivative financial instruments**

The Company uses derivative financial instruments to manage its exposure to market risks arising from investing activities. All derivative financial instruments are held for non-trading purposes.

Obligation under derivatives business which the Company enters into for hedging purpose are regarded as off-balance sheet items. Cash collateral amounts pledged as security for derivatives trading are recorded as cash collateral for derivative contracts and gain (loss) from changes in the value of derivatives are included in the income statements. The fair value of derivatives is based on the daily settlement price quoted by Thailand Futures Exchange Public Company Limited.

#### **3.10.1 Hedge accounting**

The Company designates derivative financial instruments as hedging instruments, which include futures in respect of fair value hedges.

At the inception of hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values of the hedged item.

#### **3.10.2 Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. Changes in the fair value of hedging instruments and hedged items attributable to the hedged risk are recognized as hedging gains (losses) in the income statements.

If the hedging is ineffective, the Company records the changes in the fair value of derivatives in the income statements immediately, presenting them as gain (loss) on derivative instruments.

Hedge Accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

### **3.11 Employee benefits**

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

Severance pay for retirement is recognised as a charge to results of operations over the employee's service period. The determination of the provision for statutory severance pay plan is actuarially determined.

### **3.12 Provisions**

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

### **3.13 Income tax**

#### **3.13.1 Current tax**

The Company calculates corporate income tax in accordance with the basis regulated in the Revenue Code.

#### **3.13.2 Deferred tax**

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, by using the enacted tax rate at the balance sheet date.

The Company recognises deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences and tax losses carried forward. The Company recognises deferred tax assets to the extent that it is probable that future taxable profits will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

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

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

#### **4. Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follow:

##### ***Allowance for loan losses for loans and securities business receivables***

Allowances for loan losses for loans and securities business receivables are intended to adjust the values of loans and receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses of each outstanding loan and securities business receivable by taking into account collection risk and the value of the security used as collateral. However, the use of different estimates and assumptions could affect the amounts of allowances for loan losses and adjustments to the allowances may therefore be required in the future.

##### ***Fair value of financial instruments***

To determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques. The input to these models is taken from observation markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

##### ***Impairment of equity investments***

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

### ***Deferred tax assets***

Deferred tax assets are recognised. Significant management judgment is used in considering whether it is highly probable that the Company will generate sufficient taxable profits from its future operations to utilise these deferred tax assets.

### ***Severance pay for retirement***

Severance pay for retirement is based on actuarial calculations. Inherent within these calculations are assumptions as to discount rates and salary increases. Actual severance pay for retirement may ultimately differ.

### ***Litigation***

The Company has contingent liabilities as a result of litigation. The Company's management has used judgment to assess of the results of the litigation and believes that no loss will result. However, actual results could differ from the estimates.

## **5. Cash and deposits at financial institutions**

	(Unit: Baht)	
	2009	2008
Cash	50,000	90,000
Saving and current deposits	93,551,381	684,625,702
Total	93,601,381	684,715,702
Less: Customers' deposits at financial institutions under the Company's name	(42,238,218)	(13,291,262)
Total cash and deposits at financial institutions - net	51,363,163	671,424,440
Restricted fixed deposits at financial institution (Note 23.1)	(758,856)	(739,480)
Bank overdrafts (Note 12)	-	(333,298)
Cash and cash equivalents	50,604,307	670,351,662

As at 31 December 2009, the Company's deposits at financial institutions totaling Baht 93,551,381 (2008: Baht 684,625,702) included customers' deposits at call under the Company's name totaling Baht 42,238,218 (2008: Baht 13,291,262) and Baht 51,363,163 (2008: Baht 671,424,440) of the Company's cash and deposits at financial institutions.

## 6. Investment in securities

(Unit: Baht)

	2009		2008	
	Cost/ Amortisation	Fair value	Cost/ Amortisation	Fair value
	cost		cost	
<u>Securities for investment</u>				
Available-for-sale securities				
Equity securities				
Listed securities	-	-	30,963,098	6,384,000
Less: Allowance for revaluation of securities	-	-	(24,579,098)	-
Subtotal	-	-	6,384,000	6,384,000
Debt instruments				
Government and state enterprises bond	896,804,585	909,029,128	1,410,878,975	1,440,021,751
Private debt securities	-	-	20,000,000	20,145,899
Less: Allowance for revaluation of securities	12,224,543	-	29,288,675	-
Government securities for customers accounts	(14,240,160)	(14,240,160)	(17,491,434)	(17,491,434)
Subtotal	894,788,968	894,788,968	1,442,676,216	1,442,676,216
Unit trusts				
Money market fund	154,298,966	154,997,022	-	-
Debt fund	148,959,263	149,634,518	248,752,222	255,356,625
Equity fund	20,000	25,600	3,421,926,662	2,423,322,126
Foreign Investment Fund	80,000,000	80,641,600	80,000,000	80,473,200
Property fund	10,000,000	9,800,000	10,000,000	9,800,000
Right to bills	-	-	4,295,520	-
Add (Less): Allowance for revaluation of securities	1,820,511	-	(991,726,933)	-
Allowance for diminution in value of securities	-	-	(4,295,520)	-
Subtotal	395,098,740	395,098,740	2,768,951,951	2,768,951,951
Total available-for-sale securities - net	1,289,887,708	1,289,887,708	4,218,012,167	4,218,012,167
Total securities for investment - net	1,289,887,708	1,289,887,708	4,218,012,167	4,218,012,167

During the current year, dividend income from investments in the unit trusts amounted to Baht 10.13 million (2008: Baht 191.4 million) was presented as a part of interest and dividend income on securities in the statements of income.

During the current year, the Company recognised loss on impairment on investments in available-for-sales securities amounting to Baht 1,071.6 million because the fair values of those investments have diminished significantly.



6.1 Investment in securities in which the Company held 10% or more of the issued units of the funds consist of the followings:

		31 December 2009	
Type of business		Investment amount (Baht)	Percentage of holding
<u>Debt Fund</u>			
Smart Cash Fund	Unit Trust	148,959,263	22.99
		31 December 2008	
Type of business		Investment amount (Baht)	Percentage of holding
<u>Debt Fund</u>			
Smart Cash Fund	Unit Trust	248,752,222	32.81
<u>Equity Fund</u>			
AYF Dividend Stock Fund 70/30	Unit Trust	397,421,533	97.36
AYF Star Capital Fund 70/30	Unit Trust	1,472,885,477	99.75
Aberdeen Thai Equity Dividend Fund	Unit Trust	1,546,600,000	87.14

6.2 Unrealised loss on securities for investment

		(Unit: Baht)	
		For the years ended 31 December	
		2009	2008
Balance - beginning of the year		(987,017,356)	(525,142)
Changes during the year			
- from revaluation		(9,546,243)	(1,618,159,745)
- from trading		1,010,608,653	631,892,592
- from deferred tax (Note 17)		-	(225,061)
Balance - end of the year		<u>14,045,054</u>	<u>(987,017,356)</u>

6.3 Gain (loss) on trading in securities

		(Unit: Baht)	
		For the years ended 31 December	
		2009	2008
Gain (loss) on trading in available-for-sale securities		26,223,270	(594,175,397)
Gain (loss) on derivative instruments		31,488,500	(39,502,700)
Hedging gain		-	2,042,305
Total		<u>57,711,770</u>	<u>(631,635,792)</u>

## 7. Loans, securities business receivables and accrued interest receivables

### 7.1 Classified by maturity

	(Unit: Baht)	
	2009	2008
Less than one year	2,230,950,816	3,081,864,872
Over one year	162,266,613	412,363,828
Past due	463,532,628	269,586,464
Total loans and securities business receivables	2,856,750,057	3,763,815,164
Add: Accrued interest receivables	15,145	137,667
Less: Allowance for doubtful accounts (Note 8)	(463,745,079)	(464,478,956)
Total loans and securities business receivables and accrued interest receivables - net	<u>2,393,020,123</u>	<u>3,299,473,875</u>

As at 31 December 2009 and 2008, the Company had discontinued recognising income from loans and receivables with total outstanding balances of principle and accrued interest receivables of approximately Baht 611.49 million and Baht 855.20 million, respectively. These comprise loans to purchase securities and transactions with problem financial institutions which were ordered to discontinue their operations by Ministry of Finance on 8 December 1997 and the Company has set aside provision for doubtful debt, as summarised below:

	(Unit: Million Baht)			
	31 December 2009			
	Number	Outstanding	Collateral	Allowance for doubtful accounts
Loans for purchase of securities	16	497.91	407.07	349.95
Discontinued financial institutions	4	113.58	-	113.58
Total	<u>20</u>	<u>611.49</u>	<u>407.07</u>	<u>463.53</u>

(Unit: Million Baht)

31 December 2008				
	Number	Outstanding	Collateral	Allowance for doubtful accounts
Loans for purchase of securities	27	740.75	555.36	348.39
Discontinued financial institutions	4	114.45	-	114.45
<b>Total</b>	<b>31</b>	<b>855.20</b>	<b>555.36</b>	<b>462.84</b>

7.2 The Company has classified loans, securities business receivables including related accrued interest receivables according to a Notification set out by the Office of the Securities and Exchange Commission. As at 31 December 2009 and 2008, classified loans, securities business receivables are as follows:

(Unit: Million Baht)

	2009				2008			
	Number	Loans, securities business receivables and accrued interest	Allowance for doubtful accounts set up by the Company	Net loans, securities business receivables after allowance for doubtful accounts	Number	Loans, securities business receivables and accrued interest	Allowance for doubtful accounts set up by the Company	Net loans, securities business receivables after allowance for doubtful accounts
Normal debt	487	2,245.2	(0.2)	2,245.0	1,229	2,907.3	(1.6)	2,905.7
Special mention	-	-	-	-	6	1.4	-	1.4
Doubtful debt	20	611.5	(463.5)	148.0	31	855.2	(462.8)	392.4
<b>Total</b>	<b>507</b>	<b>2,856.7</b>	<b>(463.7)</b>	<b>2,393.0</b>	<b>1,266</b>	<b>3,763.9</b>	<b>(464.4)</b>	<b>3,299.5</b>

For accounts receivables classified as normal debt and special mention, the Company has set up allowance for doubtful accounts at percentages of the account balances before deducting the value of collateral.

## 8. Allowance for doubtful accounts

(Unit: Baht)

31 December 2009			
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
Balance at beginning of year			
- General (Note 7.2)	-	1,637,490	1,637,490
- Specific (Note 7.2)	-	462,841,466	462,841,466
	-	464,478,956	464,478,956
Add (Reversal):			
Allowance for doubtful accounts			
- General	-	(1,255,131)	(1,255,131)
- Specific	-	521,254	521,254
	-	(733,877)	(733,877)
Balance at end of year			
- General (Note 7.2)	-	382,359	382,359
- Specific (Note 7.2)	-	463,362,720	463,362,720
	-	463,745,079	463,745,079

(Unit: Baht)

31 December 2008			
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
Balance at beginning of year			
- General	-	1,320,184	1,320,184
- Specific	-	200,985,683	200,985,683
	-	202,305,867	202,305,867
Add (Reversal):			
Allowance for doubtful accounts			
- General	-	317,306	317,306
- Specific	-	261,855,783	261,855,783
	-	262,173,089	262,173,089
Balance at end of year			
- General (Note 7.2)	-	1,637,490	1,637,490
- Specific (Note 7.2)	-	462,841,466	462,841,466
	-	464,478,956	464,478,956

## 9. Equipment

(Unit: Baht)

	Leasehold improvement	Office equipment	Furniture and fixtures	Motor vehicles	Total
<b>Cost</b>					
31 December 2008	31,537,514	29,600,007	5,031,489	9,979,000	76,148,010
Purchases	473,521	26,872	-	-	500,393
Disposals	(6,935,838)	-	(465,396)	(9,979,000)	(17,380,234)
Write-off	-	(2,190,020)	(16,853)	-	(2,206,873)
31 December 2009	25,075,197	27,436,859	4,549,240	-	57,061,296
<b>Accumulated depreciation</b>					
31 December 2008	4,530,210	16,252,527	1,140,083	5,796,042	27,718,862
Depreciation for the year	6,210,520	4,224,826	936,866	1,250,506	12,622,718
Depreciation for disposals	(1,750,141)	-	(189,589)	(7,046,548)	(8,986,278)
Write-off	-	(2,169,971)	(6,428)	-	(2,176,399)
31 December 2009	8,990,589	18,307,382	1,880,932	-	29,178,903
<b>Net book value</b>					
31 December 2008	27,007,304	13,347,480	3,891,406	4,182,958	48,429,148
31 December 2009	16,084,608	9,129,477	2,668,308	-	27,882,393
<b>Depreciation charge included in income statements for the years ended 31 December</b>					
2008					13,008,045
2009					12,622,718

As at 31 December 2009, certain fixed assets items have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 7.4 million (2008: Baht 9.4 million).

## 10. Intangible assets

(Unit: Baht)

	31 December 2008	Additions	Amortised	31 December 2009
Software	54,648,057	15,711,886	(1,826,940)	68,533,003

Part of the above intangible assets comprises development costs of the Securities Borrowing and Lending (SBL) program, amounting to Baht 61.0 million (2008: Baht 48 million).

## 11. Other assets

	(Unit: Baht)	
	2009	2008
Deposits	4,311,614	3,628,948
Prepaid expenses	1,791,016	1,525,227
Deferred charges	21,986	-
Revenue Department receivable - 2007	6,384,483	6,384,483
- 2008	24,587,725	24,587,725
- 2009	435,744	-
Others	23,012	15,313
Total other assets	<u>37,555,580</u>	<u>36,141,696</u>
Amortisation of deferred charges for the year	<u>887,514</u>	<u>898,800</u>

## 12. Borrowings

	(Unit: Baht)			
	2009		2008	
	From banks	From financial institutions	From banks	From financial institutions
Past due	-	-	-	1,919,000,000
At call	-	-	-	-
Bank overdraft	-	-	333,298	-
1-7 days	-	-	-	58,000,000
More than 7 - 30 days	-	-	600,000,000	1,241,990,326
More than 1 - 3 months	-	-	49,534,350	2,045,955,039
More than 3 - 6 months	-	-	500,000,000	1,863,508,047
More than 6 - 12 months	1,000,000,000	-	-	207,800,000
Over one year	-	-	-	30,000,000
Total borrowings	<u>1,000,000,000</u>	<u>-</u>	<u>1,149,867,648</u>	<u>7,366,253,412</u>

The loan agreements contain covenants that, among other things, require the Company to maintain certain debt to equity, BIS and net capital ratios in the agreements.

As at 31 December 2009, the credit facilities of the Company that had not yet been drawn down amounted to Baht 1,500 million from four banks.

### 13. Payable from restructuring agreement

On 20 March 2009, the Company signed a debt restructuring agreement with financial creditors covering principal and interest totaling Baht 8,725,476,463.74. All financial creditors commit to release the remaining debts, amounting to Baht 249,999,999.94, when the Company implements the conditions in debt restructuring agreement for creditor group 1, group 2 and group 3. The restructuring conditions with each group of creditors are as follows:

Group	Amount	Period	Condition	Interest rate	Remark
1	2,270,000,000.02	21 March 2009 to 3 April 2009	Issue of promissory notes amounting to Baht 2,269,629,221.16	1.5 percent per annum, paying interest on maturity	Deducted withholding tax amounting to Baht 370,778.86 when issuing the promissory notes
2	2,270,000,000.02	21 March 2009 to 20 April 2009	Issued all promissory notes	1.5 percent per annum, paying interest on maturity	
3	300,000,020.00	With in 30 September 2009	Convert debt to equity		Issued not more than 30,000,002 new shares with a par value of Baht 10 each
4	1,999,999,999.92	21 March 2009 to 21 December 2009	Issued all promissory notes	2.375 percent per annum, paying interest monthly	
5	1,635,476,443.84	21 March 2009 to 21 June 2010	Issued all promissory notes	3 percent per annum, paying interest monthly	
Total	8,475,476,463.80				

During the current year, the Company converted debt to equity amounting to Baht 300,000,020, as discussed in Note 1.2, and paid principal amounting to Baht 6,539,629,221 to group 1, group 2 and group 4 creditors and paid interest amounting to Baht 78,243,741 to group 1, group 2, group 4 and group 5 creditors and deducted withholding tax amounting to Baht 370,779 in accordance with the debt restructuring agreement. The Company recognise gain on debt restructuring amounting to Baht 148,769,973 due to the Company has implemented the conditions in the debt restructuring agreement for the group 1, group 2 and group 3 creditors. The gain on restructuring is calculated based on the book value of the debts at the restructuring date (20 March 2009) and the fair value of the cash and issued common shares that the Company will transfer to the creditors in settlement of the debts.

As at 31 December 2009, the Company has the remaining balances of debt of Baht 1,658,462,730, classified by the repayment period, are as follow:

	(Unit: Baht)
	31 December 2009
More than 7 - 30 days	4,167,104
More than 1 - 3 months	7,930,942
More than 3 - 6 months	1,646,364,684
More than 6 - 12 months	-
Total	<u>1,658,462,730</u>

#### 14. Other liabilities

	(Unit: Baht)	
	2009	2008
Accrued expenses	125,000	250,000
Severance pay provisions for retirement	2,880,223	6,207,469
Withholding tax payable	765,027	515,422
Specific business tax payable	525,029	1,005,600
Other payable	3,911,607	3,334,606
Others	1,183,064	3,773,047
Total other liabilities	<u>9,389,950</u>	<u>15,086,144</u>

#### 15. Share capital

The extraordinary general meeting of shareholders No. 1/2552 held on 21 April 2009, the Company's shareholders approved the reduction of its registered and paid-up share capital from Baht 1,000 million (100 million ordinary share of Baht 10 each) to Baht 62.5 million (6.25 million ordinary shares of Baht 10 each) by decreasing its registered and paid up capital by 93.75 million shares of Baht 10 per share in order to write-off retained losses. The Company already registered the decrease in its capital with the Ministry of Commerce on 29 June 2009.



On 5 June 2009, the extraordinary general meeting of shareholders No. 2/2552 approved the increase of the Company's registered and issued capital by Baht 62.5 million, to Baht 1,300 million, through the issuance of 123.75 million additional ordinary shares with a par value of Baht 10 per share. The increase in the registered and issued capital is to support the capital restructuring and conversion of debt to equity under the restructuring agreement. The Company registered the increase in its capital with the Ministry of Commerce on 30 June 2009. In July 2009, the Company received payment the paid-up share capital amounting to Baht 654.2 million and from conversion of debt to equity amounting to Baht 300 million. The Company's paid-up capital thus totalled Baht 1,016.7 million and the Company registered the increase in its capital with the Ministry of Commerce on 24 July 2009.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	31 December 2009	31 December 2008
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of the year	100,000,000	100,000,000
Decrease in registered share capital	(93,749,997)	-
Increase in registered share capital	123,750,047	-
Number of ordinary shares at the end of the year	<u>130,000,050</u>	<u>100,000,000</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of the year	100,000,000	100,000,000
Reduction in paid-up share capital	(93,749,997)	-
Increase in paid-up share capital	95,423,981	-
Number of ordinary shares at the end of the year	<u>101,673,984</u>	<u>100,000,000</u>

**16. Statutory reserve**

	(Unit: Baht)	
	2009	2008
Beginning balance	90,633,214	72,577,682
Appropriation during year	-	18,055,532
Decrease during year	(90,633,214)	-
Ending balance	<u>-</u>	<u>90,633,214</u>

The statutory reserve was set up in accordance with the provisions of the Civil and Commercial Code which requires the appropriation as statutory reserve of at least 5% of profits derived from the business of the Company at each dividend distribution until the reserve reaches 10% of the registered share capital. The statutory reserve could not use for dividend payment.

On 21 April 2009, the extraordinary general meeting of shareholders No. 1/2552 approved the transfer of Baht 90,633,214 from the statutory reserve in order to offset retained losses.

## 17. Income tax

The components of income tax expenses recognised in income statements were as follow:

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Accounting loss	(858,204,799)	(874,086,955)
Income not subject to tax	(153,833,778)	(77,950,254)
Expenses deductible for tax purposes	(82,764,893)	(20,511,104)
Tax loss brought forward	(972,548,314)	-
Taxable loss	<u>(2,067,351,784)</u>	<u>(972,548,313)</u>
Current income tax expenses at the rate of 30 percent	<u>-</u>	<u>-</u>

Reconciliation between income tax expenses and the product of accounting income (loss) multiplied by the applicable tax rate for the years ended 2009 and 2008 were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Accounting loss	(858,204,799)	(874,086,955)
Applicable tax rate of 30%	-	-
Net tax effect of non-deductible (income) expenses	-	26,477,065
Income tax expenses as included in income statements	<u>-</u>	<u>26,477,065</u>

The aggregate current and deferred tax relating to items that are charged or credited to shareholders' equity were as follows:

	(Unit: Baht)	
	For the years ended 31 December	
	2009	2008
Deferred tax related to unrealised loss on securities for investment	-	(225,061)

Because management estimate that future income will not be sufficient to utilize the benefits of the deferred tax assets, the management did not record deferred tax assets in the financial statements.

#### 18. Earnings per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares in issue during the year, after adjusting the number of ordinary share as a result of the reduction of number of ordinary shares discussed in Note 15, and the earnings per share of the prior year adjusted accordingly.

#### 19. Provident fund

The Company and its employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act B.E. 2530. The fund is monthly contributed to by employees, at the rate of 3 to 10 percent of their basic salaries, and by the Company at the rate of 10 percent of basic salaries, and will be paid to employees upon termination in accordance with the rules of the fund. The fund is managed by TISCO Securities Company Limited and Finansa Asset Management Limited. During the year 2009, the Company contributed Baht 4,575,389 (2008: Baht 5,773,767) to the provident fund.

#### 20. Dividends paid

		(Unit: Baht)	
	Approved by	Total dividends	Dividend per share
Final dividends on 2007 income	Annual General Meeting of the shareholders on 21 April 2008	180,000,000	1.80
		180,000,000	1.80

## 21. Capital fund

The Company maintained a capital fund by law under the Notification of the Securities and Exchange Commission as follows:

	(Unit: Baht)	
	2009	2008
<u>Tier 1 capital</u>		
Paid-up capital	1,016,740,000	1,000,000,000
Statutory reserve	-	90,633,214
Net income after appropriation	-	858,834,453
Net loss in accounting period	-	(896,415,220)
Total Tier 1 capital	1,016,740,000	1,053,052,447
Unrealised losses from securities for investment	-	(987,017,356)
Total capital fund maintained by law	1,016,740,000	66,035,091
Total capital ratio (%)	33.86	1.19

Under the Notification of the Securities and Exchange Commission, the Company is required to maintain the capital ratio not less than 8 percent and that Tier 1 capital ratio should be not less than 4 percent.

On 21 January 2009, the Office of Securities and Exchange Commission issued Notification No. KorLorTor. Dor. 116/2552, concerning the maintenance of capital funds by the Company, informing the Company that gains or losses from revaluation of debts and equity securities are to be included in calculating Tier 2 capital, as from 31 December 2008.

## 22. Commitments

### 22.1 Capital commitments

As at 31 December 2009, the Company had capital commitments of approximately Baht 31.5 million relating to system development and maintenance.

## 22.2 Operating lease commitments

As at 31 December 2009, the Company had outstanding car rental and service commitments under long-term lease agreements in the following amounts:

	<u>Million Baht</u>
Payable within:	
1 year	13.9
2 - 3 years	21.8

## 23. Litigation

23.1 During the year 2005, the Company was sued for compensation of approximately Baht 0.6 million in relation to the cost of office supplies. On 31 May 2006, the Court ordered the Company to pay Baht 0.6 million together with interest at the rate 7.5 percent per annum. On 23 June 2006, the Company appealed this judgement with the Appeal Court. On 27 December 2006, the Appeal Court ordered the Company to place a bond with the Court in the amount the Court of First Instance had ordered to be paid, in order to postpone execution. On 23 February 2007, the Company has placed deposits amounting to Baht 0.7 million as a bond. The Company has already recorded the above amount under "Other liabilities" in the financial statements.

23.2 In December 2008, a civil suit was brought against the Company for breach of contract, seeking payment of approximately Baht 7.98 million for hire of work. On 14 October 2009, the plaintiff acknowledged to the court that it preliminarily agreed that the Company could pay 25 percent of the amount claimed, subject to agreement by the Company. The Court agreed that the plaintiff and the defendant could negotiate and, since it would therefore be appropriate to give negotiations a chance, approved a postponement of reaching a settlement or examination of witnesses to 8 February 2010. The outcome of the case is thus not known at this time and so the Company has not recorded provision for loss in the accounts.

## 24. Financial instruments

### 24.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No. 32 Financial Instruments: Disclosure and Presentations", principally comprise cash and deposits at financial institutions, loans and securities business receivables, investment and borrowings. The Company uses derivatives, as and when it considers appropriate, to manage such risks. The financial risks associated with these financial instruments and how they are managed in described below.

#### *Credit risk*

The Company is exposed to credit risk primarily with respect to securities business receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer. The maximum exposure to credit risk is limited to the carrying amounts of receivables less provision for losses as stated in the balance sheet.

#### *Interest rate risk*

The Company's exposure to interest rate risk relates primarily to its cash at banks, loans and securities business receivables, borrowings and investments in debt securities. However, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2009 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	Outstanding balances of financial instruments						Total	Interest rate (Percentage)
	Floating interest rate	Repricing or maturity dates				No interest		
		At call	Within 1 year	1 - 5 years	Over 5 years			
<b>Financial instruments - assets</b>								
Cash and deposits at financial institutions	15.3	-	0.8	-	-	35.3	51.4	0.00 - 1.75
Investments in debt securities - net	-	-	87.4	807.4	-	-	894.8	3.70 - 4.25
Investments in unit trust - net	-	-	-	-	-	395.1	395.1	-
Loan, securities business receivables and accrued interest receivables	2,390.9	-	0.5	1.6	-	-	2,393.0	4.35 - 15.00

(Unit: Million Baht)

	Outstanding balances of financial instruments							Interest rate (Percentage)
	Floating	Repricing or maturity dates				No interest	Total	
	interest rate	At call	Within 1 year	1 - 5 years	Over 5 years			
<b><u>Financial instruments - liabilities</u></b>								
Borrowings	-	-	1,000.0	-	-	-	1,000.0	4.35 - 4.75
Payable from restructuring agreement	-	-	1,658.5	-	-	-	1,658.5	3.00
Securities business payables	-	-	-	-	-	127.5	127.5	-

### *Liquidity risk*

The periods of time from the balance sheet date to the maturity dates of financial instruments as of 31 December 2009 are as follows:

(Unit: Million Baht)

	Outstanding balances of financial instruments				
	At call	Within	1 - 5	Over 5	Total
		1 year	years	years	
<b><u>Financial instruments - assets</u></b>					
Cash and deposits at financial institutions	50.6	0.8	-	-	51.4
Investments in debt securities - net	-	87.4	807.4	-	894.8
Investments in unit trust - net	-	314.5	80.6	-	395.1
Loan, securities business receivable and accrued interest receivables	-	2,377.5	15.5	-	2,393.0
<b><u>Financial instruments - liabilities</u></b>					
Borrowings	-	1,000.0	-	-	1,000.0
Payable from restructuring agreement	-	1,658.5	-	-	1,658.5
Securities business payables	-	127.5	-	-	127.5

## 24.2 Fair values and financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### **24.3 Capital management**

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

As at 31 December 2009, debt to equity ratio in the financial statements is 2.41: 1 (2008: 139.67: 1).

### **25. Financial information by segment**

The majority of the operations of the Company involve the single business segment, granting credits to securities business. These businesses are mainly carried on in a single geographic area in Thailand. As a result, all revenues, operating income and assets as reflected in these financial statements are certain to the aforementioned industry and geographic area.

### **26. Presentation**

The presentation of the financial statements has been made in compliance with requirement of the Notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of granting credits to securities business No. Sor. Thor. 29/2540 dated 28 July 1997.

### **27. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Director on 16 March 2010.