

TSFC Securities Public Company Limited  
Report and interim financial statements  
For the six-month periods ended 30 June 2010 and 2009

## **Report of Independent Auditor**

To The Shareholders of TSFC Securities Public Company Limited

I have audited the accompanying balance sheet of TSFC Securities Public Company Limited as at 30 June 2010, and the related statements of income, changes in shareholders' equity, retained earnings and cash flows for the six-month period ended 30 June 2010. 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 audit.

I conducted my audit 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 audit provides 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 30 June 2010, and the results of its operations and cash flows for the six-month period ended 30 June 2010, in accordance with generally accepted accounting principles.

The financial statements of TSFC Securities Public Company Limited for the year ended 31 December 2009 were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 16 March 2010. The balance sheet as at 31 December 2009, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The statements of income, changes in shareholders' equity, retained earnings and cash flows for the six-month period ended 30 June 2009 of TSFC Securities Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were audited by the aforementioned auditor who, expressed an unqualified opinion on those statements, but drew attention to the Company's ability to continue as a going concern, under her report dated 30 July 2009. However, the other auditor did not draw attention to this issue in her report on the financial statements as at 31 December 2009.

Pimjai Manitkajohnkit  
Certified Public Accountant (Thailand) No. 4521

Ernst & Young Office Limited  
Bangkok: 17 August 2010

**TSFC Securities Public Company Limited**

**Balance sheets**

**As at 30 June 2010 and 31 December 2009**

(Unit: Baht)

	<u>Note</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
<b>Assets</b>			
Cash and deposits at financial institutions	6	7,673,755	51,363,163
Investments in securities	7	135,599,038	1,289,887,708
Trading transactions pending clearance		31,851,300	72,564,292
Loans, securities business receivables and accrued interest receivables	8		
Loans and securities business receivables		3,126,194,198	2,856,750,057
Accrued interest receivables		19,691	15,145
Total loans, securities business receivables and accrued interest receivables		3,126,213,889	2,856,765,202
Less: Allowance for doubtful accounts	9	(463,846,553)	(463,745,079)
Loans, securities business receivables and accrued interest receivables - net		2,662,367,336	2,393,020,123
Equipment - net	10	23,096,563	27,882,393
Intangible assets - net	11	78,130,055	68,533,003
Accrued interest receivables		1,606,939	14,535,014
Other assets	12	12,890,310	37,555,580
<b>Total assets</b>		<b>2,953,215,296</b>	<b>3,955,341,276</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**  
**Balance sheets (continued)**  
**As at 30 June 2010 and 31 December 2009**

(Unit: Baht)

	<u>Note</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
<b>Liabilities and shareholders' equity</b>			
<b>Borrowings</b>			
	13		
From banks		1,650,294,332	1,000,000,000
From financial institutions		-	-
Total borrowings		1,650,294,332	1,000,000,000
Payable from restructuring agreement	14	-	1,658,462,730
Trading transactions pending clearance		22,749,446	-
Securities business payables		70,456,763	127,490,158
Accrued interest payable		604,055	1,014,726
Other liabilities	15, 23	10,131,673	9,389,950
<b>Total liabilities</b>		<u>1,754,236,269</u>	<u>2,796,357,564</u>
<b>Shareholders' equity</b>			
Share capital			
Authorised			
130,000,050 ordinary shares of Baht 10 each		<u>1,300,000,500</u>	<u>1,300,000,500</u>
Issued and fully paid-up			
101,673,984 ordinary shares of Baht 10 each		1,016,739,840	1,016,739,840
Retained earnings			
Appropriated			
Statutory reserve	17	-	-
Unappropriated		181,478,980	128,198,818
Net unrealised gain on securities for investment	7.2	760,207	14,045,054
<b>Total shareholders' equity</b>		<u>1,198,979,027</u>	<u>1,158,983,712</u>
<b>Total liabilities and shareholders' equity</b>		<u>2,953,215,296</u>	<u>3,955,341,276</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**

**Income statements**

**For the six-month periods ended 30 June 2010 and 2009**

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>Interest and dividend income</b>			
Loans and deposits		101,987,798	125,577,687
Securities	7	8,538,367	28,777,888
<b>Total interest and dividend income</b>		<u>110,526,165</u>	<u>154,355,575</u>
<b>Expenses on borrowings</b>			
Interest and discounts on borrowings		23,590,491	112,172,435
<b>Total expenses on borrowings</b>		<u>23,590,491</u>	<u>112,172,435</u>
Net interest and dividend income		86,935,674	42,183,140
Bad debts and doubtful accounts	9	101,474	953,163
Net interest and dividend income after doubtful accounts		<u>86,834,200</u>	<u>41,229,977</u>
<b>Non-interest income</b>			
Gain on trading in securities	7.3	15,465,725	51,788,882
Loss from impairment of securities		-	(1,069,144,168)
Fees and services income		306,512	82,544
Gain on sales of equipment		-	64,568
Total non-interest income (expenses)		<u>15,772,237</u>	<u>(1,017,208,174)</u>
<b>Operating expenses</b>			
Personnel expenses		22,317,397	33,869,573
Premises and equipment expenses		14,068,624	16,464,771
Taxes and duties		3,371,652	4,221,154
Directors' remuneration		942,340	1,170,000
Other expenses		8,626,262	21,497,723
Total operating expenses		<u>49,326,275</u>	<u>77,223,221</u>
<b>Net income (loss) for the period</b>	18	<u>53,280,162</u>	<u>(1,053,201,418)</u>
<b>Basic earnings per share</b>			
Net income (loss)	19	<u>0.52</u>	<u>(168.51)</u>
Weighted average number of ordinary shares (shares)		<u>101,673,984</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****Statements of changes in shareholders' equity****For the six-month periods ended 30 June 2010 and 2009**

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>Share capital - ordinary shares</b>			
At beginning of period		1,016,739,840	1,000,000,000
Decrease during period	16	-	(937,499,970)
At end of period		<u>1,016,739,840</u>	<u>62,500,030</u>
<b>Retained earnings</b>			
Appropriated			
Statutory reserve			
At beginning of period		-	90,633,214
Decrease during period	17	-	(90,633,214)
At end of period	17	<u>-</u>	<u>-</u>
Unappropriated			
At beginning of period		128,198,818	(41,729,567)
Increase during period - net income (loss) for the period		53,280,162	(1,053,201,418)
- transfer from share capital and statutory reserve	16	-	1,028,133,184
At end of period		<u>181,478,980</u>	<u>(66,797,801)</u>
<b>Net unrealised gain (loss) on securities for investment</b>			
At beginning of period		14,045,054	(987,017,356)
Change during period		(13,284,847)	999,955,440
At end of period		<u>760,207</u>	<u>12,938,084</u>
<b>Total shareholders' equity</b>		<u><u>1,198,979,027</u></u>	<u><u>8,640,313</u></u>

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

**TSFC Securities Public Company Limited**

**Statements of retained earnings**

**For the six-month periods ended 30 June 2010 and 2009**

		(Unit: Baht)	
	<u>Note</u>	<u>2010</u>	<u>2009</u>
<b>Unappropriated retained earnings</b>			
At beginning of period		128,198,818	(41,729,567)
Net income (loss) for period		53,280,162	(1,053,201,418)
Transfer from share capital and statutory reserve	16	-	1,028,133,184
Total unappropriated retained earnings		<u>181,478,980</u>	<u>(66,797,801)</u>
<b>Appropriated retained earnings</b>			
Statutory reserve	17	-	-
Total appropriated retained earnings		-	-
<b>Total retained earnings</b>		<u><u>181,478,980</u></u>	<u><u>(66,797,801)</u></u>

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



**TSFC Securities Public Company Limited****Cash flow statements****For the six-month periods ended 30 June 2010 and 2009**

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Net income (loss) before tax	53,280,162	(1,053,201,418)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortisation	5,965,842	7,726,800
Amortisation of discount on investments in bonds and debentures	(309,035)	-
Amortisation of premium on investments in bonds and debentures	1,267,736	4,321,941
Bad debts and doubtful accounts	101,474	953,163
Gain on trading in securities	(15,465,725)	(20,300,382)
Loss on diminution in value of investments	-	1,069,144,168
Gain on sales and write-off of equipment	-	(64,568)
Increase in accrued dividend and interest receivables	(57,628,219)	(154,355,576)
Increase (decrease) in accrued expenses	654,878	(3,993,593)
Interest expenses	23,590,491	112,172,435
Gain (loss) from operating activities before changes in operating assets and liabilities	11,457,604	(37,597,030)
(Increase) decrease in operating assets		
Investment in short-term securities for investment	41,386,385	(17,491,434)
Trading transactions pending clearance	40,712,992	4,385,008
Loans and securities business receivables	(269,444,141)	1,019,053,407
Restricted fixed deposits	-	(4,890)
Other assets	24,407,516	339,639,855
Increase (decrease) in operating liabilities		
Borrowings from banks and financial institutions	650,000,000	-
Trading transactions pending clearance	22,749,446	-
Securities business payables	(57,033,394)	(4,702,883)
Other liabilities	86,844	3,005,266
Cash from operating activities	464,323,252	1,306,287,299
Cash received from interest income	49,085,215	125,679,344
Cash paid for interest expenses	(24,001,161)	(375,635)
Cash paid for corporate income tax	(167,578)	(266,951)
<b>Net cash flows from operating activities</b>	<u>489,239,728</u>	<u>1,431,324,057</u>

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

**TSFC Securities Public Company Limited****Cash flow statements (continued)****For the six-month periods ended 30 June 2010 and 2009**

	(Unit: Baht)	
	<u>2010</u>	<u>2009</u>
<b>Cash flows from investing activities</b>		
Payments to acquire securities for investment	(1,370,000,000)	(1,300,000,000)
Proceeds from disposal of securities for investment	2,484,124,461	3,922,096,942
Proceeds from dividends	3,905,958	9,762,810
Proceeds from interests of investments	17,560,574	27,720,296
Payments to acquire equipment	(30,604)	(16,681)
Proceeds from disposal of equipment	-	761,682
Payments to acquire intangible assets	(10,321,127)	(8,251,215)
<b>Net cash flows from investing activities</b>	<u>1,125,239,262</u>	<u>2,652,073,834</u>
<b>Cash flows from financing activities</b>		
Payment interest from restructuring agreement	(22,986,286)	(30,996,262)
Payment principal from restructuring agreement	(1,635,476,444)	(4,539,629,221)
<b>Net cash flows used in financing activities</b>	<u>(1,658,462,730)</u>	<u>(4,570,625,483)</u>
<b>Net decrease in cash and cash equivalents</b>	(43,983,740)	(487,227,592)
Cash and cash equivalents at beginning of period	50,604,307	670,351,662
<b>Cash and cash equivalents at end of period (Note 6)</b>	<u><u>6,620,567</u></u>	<u><u>183,124,070</u></u>
<b>Supplement cash flows information</b>		
Non-cash item		
Payable from restructuring agreement	-	4,154,480,202

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

**TSFC Securities Public Company Limited**  
**Notes to interim financial statements**  
**For the six-month periods ended 30 June 2010 and 2009**

**1. General information**

TSFC Securities Public Company Limited (hereinafter referred to as “the Company”) is a limited company incorporated and domiciled in Thailand. The Company registered as a Public Company Limited with the Ministry of Commerce on 31 March 2009. 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. Its registered address is located at 10th Floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Patumwan, Bangkok.

**2. Basis of preparation**

The financial statements 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.

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. Adoption of new accounting standards**

During the current period, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below. These standards are not effective for the current year, except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective.

	<u>Effective date</u>
Framework for the Preparation and Presentation of Financial Statements (revised 2009)	Immediate
TAS 1 (revised 2009) Presentation of Financial Statements	1 January 2011
TAS 2 (revised 2009) Inventories	1 January 2011
TAS 7 (revised 2009) Statement of Cash Flows	1 January 2011

		<u>Effective date</u>
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2011
TAS 10 (revised 2009)	Events after the Reporting Period	1 January 2011
TAS 11 (revised 2009)	Construction Contracts	1 January 2011
TAS 12	Income Taxes	1 January 2013
TAS 17 (revised 2009)	Leases	1 January 2011
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2013
TAS 23 (revised 2009)	Borrowing Costs	1 January 2011
TAS 24 (revised 2009)	Related Party Disclosures	1 January 2011
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements	1 January 2011
TAS 28 (revised 2009)	Investments in Associates	1 January 2011
TAS 29	Financial Reporting in Hyperinflationary Economies	1 January 2011
TAS 31 (revised 2009)	Interests in Joint Ventures	1 January 2011
TAS 33 (revised 2009)	Earnings per Share	1 January 2011
TAS 34 (revised 2009)	Interim Financial Reporting	1 January 2011
TAS 36 (revised 2009)	Impairment of Assets	1 January 2011
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	1 January 2011
TAS 38 (revised 2009)	Intangible Assets	1 January 2011
TAS 40 (revised 2009)	Investment Property	1 January 2011
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2011
TFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2011

The management of the Company has assessed the effect of the accounting standards and financial reporting standards and believes that these standards will not have any significant impact on the financial statements for the year in which they are initially applied.

## **4. Significant accounting policies**

### **4.1 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.

#### **4.2 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.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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.

#### **4.6 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.

#### **4.7 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.

#### **4.8 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
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#### **4.9 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.



#### **4.10 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.

#### **4.11 Provisions**

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

#### **4.12 Income tax**

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

### **5. 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.

### ***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.

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

	(Unit: Baht)	
	30 June 2010	31 December 2009
Cash	50,000	50,000
Saving and current deposits	15,489,735	93,551,381
Total	15,539,735	93,601,381
Less: Customers’ deposits at financial institutions under the Company’s name	(7,865,980)	(42,238,218)
Total cash and deposits at financial institutions - net	7,673,755	51,363,163
Restricted fixed deposits at financial institution (Note 23)	(758,856)	(758,856)
Bank overdrafts (Note 13)	(294,332)	-
Cash and cash equivalents	6,620,567	50,604,307

As at 30 June 2010, the Company's deposits at financial institutions totaling Baht 15,489,735 (31 December 2009: Baht 93,551,381) included customers' deposits at call under the Company's name totaling Baht 7,865,980 (31 December 2009: Baht 42,238,218) and Baht 7,673,755 (31 December 2009: Baht 51,363,163) of the Company's cash and deposits at financial institutions.

## 7. Investment in securities

(Unit: Baht)

	30 June 2010		31 December 2009	
	Cost/ Amortisation	Fair value	Cost/ Amortisation	Fair value
	cost		cost	
<u>Securities for investment</u>				
Available-for-sale securities				
Debt instruments				
Government and state enterprises bond	100,136,342	100,336,928	896,804,585	909,029,128
Add (Less): Allowance for revaluation of securities	200,586	-	12,224,543	-
Government securities for customers accounts	(55,317,511)	(55,317,511)	(14,240,160)	(14,240,160)
Subtotal	45,019,417	45,019,417	894,788,968	894,788,968
Unit trusts				
Money market fund	-	-	154,298,966	154,997,022
Debt fund	-	-	148,959,263	149,634,518
Equity fund	20,000	26,821	20,000	25,600
Foreign Investment Fund	80,000,000	80,602,800	80,000,000	80,641,600
Property fund	10,000,000	9,950,000	10,000,000	9,800,000
Add: Allowance for revaluation of securities	559,621	-	1,820,511	-
Subtotal	90,579,621	90,579,621	395,098,740	395,098,740
Total available-for-sale securities - net	135,599,038	135,599,038	1,289,887,708	1,289,887,708
Total securities for investment - net	135,599,038	135,599,038	1,289,887,708	1,289,887,708

During the current period, dividend income from investments in the unit trusts amounted to Baht 3.9 million (30 June 2009: Baht 9.8 million) was presented as a part of interest and dividend income on securities in the statements of income.

During the year 2009, 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.

- 7.1 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

- 7.2 Unrealised gain (loss) on securities for investment

(Unit: Baht)

	For the six-month period ended 30 June 2010	For the year ended 31 December 2009
	Balance - beginning of the period/year	14,045,054
Changes during the period/year		
- from revaluation	(627,493)	(9,546,243)
- from trading	(12,657,354)	1,010,608,653
Balance - end of the period/year	<u>760,207</u>	<u>14,045,054</u>

- 7.3 Gain on trading in securities

(Unit: Baht)

	For the six-month periods ended 30 June	
	2010	2009
Gain on trading in available-for-sale securities	15,465,725	20,300,382
Gain on derivative instruments	-	31,488,500
Total	<u>15,465,725</u>	<u>51,788,882</u>

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

### 8.1 Classified by maturity

	(Unit: Baht)	
	30 June 2010	31 December 2009
Less than one year	2,618,580,666	2,230,950,816
Over one year	44,314,865	162,266,613
Past due	463,298,667	463,532,628
Total loans and securities business receivables	3,126,194,198	2,856,750,057
Add: Accrued interest receivables	19,691	15,145
Less: Allowance for doubtful accounts (Note 9)	(463,846,553)	(463,745,079)
Total loans and securities business receivables and accrued interest receivables - net	<u>2,662,367,336</u>	<u>2,393,020,123</u>

As at 30 June 2010 and 31 December 2009, the Company had discontinued recognising income from loans and receivables with total outstanding balances of principle and accrued interest receivables of approximately Baht 575.36 million and Baht 611.49 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)			
	30 June 2010			
	Number	Outstanding	Collateral	Allowance for doubtful accounts
Loans for purchase of securities	14	461.78	333.18	349.72
Discontinued financial institutions	4	113.58	-	113.58
Total	<u>18</u>	<u>575.36</u>	<u>333.18</u>	<u>463.30</u>

(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
<b>Total</b>	<b>20</b>	<b>611.49</b>	<b>407.07</b>	<b>463.53</b>

8.2 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 30 June 2010 and 31 December 2009, classified loans, securities business receivables are as follows:

(Unit: Million Baht)

	30 June 2010				31 December 2009			
	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	682	2,550.8	(0.5)	2,550.3	487	2,245.2	(0.2)	2,245.0
Doubtful debt	18	575.4	(463.3)	112.1	20	611.5	(463.5)	148.0
<b>Total</b>	<b>700</b>	<b>3,126.2</b>	<b>(463.8)</b>	<b>2,662.4</b>	<b>507</b>	<b>2,856.7</b>	<b>(463.7)</b>	<b>2,393.0</b>

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

## 9. Allowance for doubtful accounts

(Unit: Baht)

	30 June 2010		
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
Balance at beginning of period			
- General (Note 8.2)	-	212,459	212,459
- Specific (Note 8.2)	-	463,532,620	463,532,620
	-	463,745,079	463,745,079

(Unit: Baht)

	30 June 2010		
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
Add (Reversal):			
Allowance for doubtful accounts			
- General	-	335,435	335,435
- Specific	-	(233,961)	(233,961)
	-	101,474	101,474
Balance at end of period			
- General (Note 8.2)	-	547,894	547,894
- Specific (Note 8.2)	-	463,298,659	463,298,659
	-	463,846,553	463,846,553

(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 8.2)	-	1,637,490	1,637,490
- Specific (Note 8.2)	-	462,841,466	462,841,466
	-	464,478,956	464,478,956
Add (Reversal):			
Allowance for doubtful accounts			
- General	-	(1,425,031)	(1,425,031)
- Specific	-	691,154	691,154
	-	(733,877)	(733,877)
Balance at end of year			
- General (Note 8.2)	-	212,459	212,459
- Specific (Note 8.2)	-	463,532,620	463,532,620
	-	463,745,079	463,745,079

## 10. Equipment

(Unit: Baht)

	Leasehold improvement	Office equipment	Furniture and fixtures	Total
<b>Cost</b>				
31 December 2009	25,075,197	27,436,859	4,549,240	57,061,296
Purchases	26,215	4,389	-	30,604
30 June 2010	<u>25,101,412</u>	<u>27,441,248</u>	<u>4,549,240</u>	<u>57,091,900</u>
<b>Accumulated depreciation</b>				
31 December 2009	8,990,589	18,307,382	1,880,932	29,178,903
Depreciation for the period	2,447,505	1,950,097	418,832	4,816,434
30 June 2010	<u>11,438,094</u>	<u>20,257,479</u>	<u>2,299,764</u>	<u>33,995,337</u>
<b>Net book value</b>				
31 December 2009	<u>16,084,608</u>	<u>9,129,477</u>	<u>2,668,308</u>	<u>27,882,393</u>
30 June 2010	<u>13,663,318</u>	<u>7,183,769</u>	<u>2,249,476</u>	<u>23,096,563</u>
<b>Depreciation charge included in income statements for the six-month periods ended</b>				
30 June 2009				<u>6,462,123</u>
30 June 2010				<u>4,816,434</u>

As at 30 June 2010, 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 8.9 million (31 December 2009: Baht 7.4 million).

## 11. Intangible assets

(Unit: Baht)

	31 December 2009	Additions	Amortised	30 June 2010
Software	<u>68,533,003</u>	<u>10,321,127</u>	<u>(724,075)</u>	<u>78,130,055</u>

Part of the above intangible assets comprises development costs of the Securities Borrowing and Lending (SBL) program, amounting to Baht 70.9 million (31 December 2009: Baht 61.0 million).



## 12. Other assets

	(Unit: Baht)	
	30 June 2010	31 December 2009
Deposits	3,650,744	4,311,614
Prepaid expenses	1,849,580	1,791,016
Deferred charges	399,154	21,986
Revenue Department receivable - 2007	6,384,483	6,384,483
- 2008	-	24,587,725
- 2009	435,744	435,744
Others	170,605	23,012
Total other assets	<u>12,890,310</u>	<u>37,555,580</u>
Amortisation of deferred charges for the period/year	<u>425,332</u>	<u>887,514</u>

## 13. Borrowings

	(Unit: Baht)			
	30 June 2010		31 December 2009	
	From banks	From financial institutions	From banks	From financial institutions
Past due	-	-	-	-
At call	-	-	-	-
Bank overdraft	294,332	-	-	-
1-7 days	50,000,000	-	-	-
More than 7 - 30 days	-	-	-	-
More than 1 - 3 months	-	-	-	-
More than 3 - 6 months	1,000,000,000	-	-	-
More than 6 - 12 months	600,000,000	-	1,000,000,000	-
Over one year	-	-	-	-
Total borrowings	<u>1,650,294,332</u>	<u>-</u>	<u>1,000,000,000</u>	<u>-</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 30 June 2010, the credit facilities of the Company that had not yet been drawn down amounted to Baht 1,500 million from six banks.

#### 14. 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% 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% 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% per annum, paying interest monthly	
5	1,635,476,443.84	21 March 2009 to 21 June 2010	Issued all promissory notes	3% per annum, paying interest monthly	
Total	8,475,476,463.80				

The Company converted debt to equity amounting to Baht 300,000,020 and paid principal amounting to Baht 8,175,105,665 to group 1, group 2 group 4 and group 5 creditors and paid interest amounting to Baht 101,230,027 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 30 June 2010, no remaining balances of debts due to the Company already settlement debts under the restructuring agreement.

## 15. Other liabilities

	(Unit: Baht)	
	30 June 2010	31 December 2009
Accrued expenses	250,000	125,000
Severance pay provisions for retirement	3,542,166	2,880,223
Withholding tax payable	544,895	765,027
Specific business tax payable	593,318	525,029
Other payable	3,843,592	3,911,607
Others	1,357,702	1,183,064
Total other liabilities	<u>10,131,673</u>	<u>9,389,950</u>

## 16. 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)	
	30 June 2010	31 December 2009
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of the period/year	130,000,050	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 period/year	<u>130,000,050</u>	<u>130,000,050</u>
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of the period/year	101,673,984	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 period/year	<u>101,673,984</u>	<u>101,673,984</u>

### **17. Statutory reserve**

	(Unit: Baht)	
	30 June 2010	31 December 2009
Beginning balance	-	90,633,214
Decrease during period/year	-	(90,633,214)
Ending balance	<u>-</u>	<u>-</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.

## **18. Corporate income tax**

The Company is not liable to corporate income tax on the net income for the six-month period ended 30 June 2010 due to tax loss brought forward from previous years exceeds net income for the period.

## **19. 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 period.

## **20. 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 rates of 3% to 10% of their basic salaries, and by the Company at the rate of 10% 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 Finansia Asset Management Limited. During the current period, the Company contributed Baht 1,888,727 (30 June 2009: Baht 2,405,919) to the provident fund.

## **21. Capital funds**

On 20 November 2009, the Office of Securities and Exchange Commission issued Notification No. KorTor. 26/2552, concerning the cancellation of the Notification of the Office of Securities and Exchange Commission on the maintenance of capital funds by securities companies granting credit for securities business, and Notification No. KorTor. 27/2552, concerning the maintenance of net capital (Issue No.2).

Notification No. KorTor. 26/2552 stipulates that the cancellation of the 18 September 2003 Notification No. KorTor.22/2546, concerning the maintenance of capital funds by securities companies that grant credit for securities business, is effective from 1 January 2010. Notification No.27/2552 stipulates that securities companies authorised to grant credit for securities business must comply with the directives of Notification No.18/2549, dated 2 May 2006, concerning the maintenance of net capital, but that they must maintain the following net capital at the close of each business day specified in the notification, from the effective date.

- 1) From 1 January 2010 to 31 December 2010, net capital at the close of each business day may not be less than Baht 15 million and 3% of general liabilities.
- 2) From 1 January 2011 to 31 December 2011, net capital at the close of each business day may not be less than Baht 15 million and 5% of general liabilities.
- 3) From 1 January 2012 onward, net capital at the close of each business day may not be less than Baht 15 million and 7% of general liabilities.

As at 30 June 2010, the Company was able to maintain the required net capital.

## **22. Commitments**

### **22.1 Capital commitments**

As at 30 June 2010, the Company had capital commitments of approximately Baht 33.2 million relating to system development and maintenance.

### **22.2 Operating lease commitments**

As at 30 June 2010, 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	12.8
2 - 3 years	15.9

## **23. Litigation**

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% 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 balance sheet.

## 24. Financial instruments

### 24.1 Financial risk management

The Company's financial instruments 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 30 June 2010 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							Interest rate %
	Floating interest rate	Repricing or maturity dates				No interest	Total	
		At call	Within 1 year	1 - 5 years	Over 5 years			
<b>Financial instruments - assets</b>								
Cash and deposits at financial institutions	2.2	-	0.8	-	-	4.7	7.7	0.00 - 0.75
Investments in debt securities - net	-	-	45.0	-	-	-	45.0	4.25
Investments in unit trust - net	-	-	-	-	-	90.6	90.6	-
Loan, securities business receivables and accrued interest receivables	2,623.4	-	7.0	32.0	-	-	2,662.4	4.875 - 10.00

(Unit: Million Baht)

	Outstanding balances of financial instruments						Interest rate %	
	Floating	Repricing or maturity dates				Total		
	interest rate	At call	Within 1 year	1 - 5 years	Over 5 years			No interest
<b><u>Financial instruments - liabilities</u></b>								
Borrowings	1,650.3	-	-	-	-	-	1,650.3	MLR - 1.50
Securities business payables	-	-	-	-	-	70.4	70.4	-

### *Liquidity risk*

The periods of time from the balance sheet date to the maturity dates of financial instruments as of 30 June 2010 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	6.9	0.8	-	-	7.7
Investments in debt securities - net	-	45.0	-	-	45.0
Investments in unit trust - net	-	51.2	39.4	-	90.6
Loan, securities business receivable and accrued interest receivables	-	2,618.5	43.9	-	2,662.4
<b><u>Financial instruments - liabilities</u></b>					
Borrowings	-	1,650.3	-	-	1,650.3
Securities business payables	-	70.4	-	-	70.4

## 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.

According to the balance sheet as at 30 June 2010, debt to equity ratio in the financial statements is 1.46: 1 (31 December 2009: 2.41: 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 17 August 2010.