

TSFC Securities Public Company Limited  
(Formerly known as "TSFC Securities Limited")  
Report and financial statements  
For the three-month period ended 31 March 2009

**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 March 2009 and 31 December 2008, and the related statements of income, changes in shareholders' equity, retained earnings and cash flows for the three-month period ended 31 March 2009. 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.

Except as discussed in the following paragraph, 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.

I sent confirmation requests to securities business customers with balances amounting to Baht 1,063 million as at 31 March 2009 and, at the date of this report, I have not received replies to confirm these balances due to time limitations. I was unable to adopt other procedure to satisfy myself as to the correctness and the completeness of the above balances.

In my opinion, except for the effect of any adjustments that might be required to be made to the 2009 financial statements as a result of the matter discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of TSFC Securities Public Company Limited as at 31 March 2009, and the results of its operations and its cash flows for the three-month period ended 31 March 2009, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to Note 1.2 to the financial statements regarding the financial crisis in the year 2008, which has had a significant impact on the financial position of the Company, and caused the Company's capital ratio to fall below the level required by law. The Company is facing liquidity problems and has substantial amounts of short-term loans that will come due in the near future. The Company has tried to resolve its financial position and, on 20 March 2009, signed a debt restructuring agreement with its financial creditors as set forth in Note 13 to the financial statements and changed its status from a Company Limited to a Public Company Limited in order to restructure its capital, on 31 March 2009. However, the success of these efforts cannot be predicted at this time. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

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. The balance sheet as at 31 December 2008, as presented herein for comparative purposes, formed an integral part of those financial statements which I audited and reported on.

The statements of income, changes in shareholders' equity, retained earnings and cash flows for the three-month period ended 31 March 2008 of TSFC Securities Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which I reviewed and reported on, dated 26 May 2008.

Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited  
Bangkok: 10 April 2009

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

**Balance sheets**

		(Unit: Baht)	
	<u>Note</u>	<u>31 March 2009</u>	<u>31 December 2008</u>
<b>Assets</b>			
Cash and deposits at financial institutions	5	298,034,802	671,424,440
Investments in securities - net			
Securities for investment		3,524,203,373	4,222,307,687
Less: Allowance for diminution in value of securities		(275,770,854)	(4,295,520)
Investments in securities - net	6	3,248,432,519	4,218,012,167
Trading transactions pending clearance		3,008,750	14,132,086
Loans, securities business receivables and accrued interest receivables	7		
Loans and securities business receivables		3,279,969,982	3,763,815,164
Accrued interest receivables		87,797	137,667
Total loans, securities business receivables and accrued interest receivables		3,280,057,779	3,763,952,831
Less: Allowance for doubtful accounts	8	(466,618,227)	(464,478,956)
Loans, securities business receivables and accrued interest receivables - net		2,813,439,552	3,299,473,875
Equipment - net	9	44,524,017	48,429,148
Intangible assets - net	10	58,750,228	54,648,057
Accrued interest receivables		9,377,342	22,929,765
Receivable from sales of investments		1,843,245,705	-
Cash collateral for derivative contracts		370,197,818	340,249,697
Other assets	11	36,765,325	36,141,696
<b>Total assets</b>		8,725,776,058	8,705,440,931

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

.....  
(Mr. Akarat Na Ranong)

Director

.....  
(Mr. Chongrak Rarueysong)

Director

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

**Balance sheets (continued)**

(Unit: Baht)

	<u>Note</u>	<u>31 March 2009</u>	<u>31 December 2008</u>
<b>Liabilities and shareholders' equity</b>			
<b>Borrowings</b>			
From banks	12	2,829,991	1,149,867,648
From financial institutions		-	7,366,253,412
Total borrowings		2,829,991	8,516,121,060
Payable from restructuring agreement	13	8,722,195,528	-
Securities business payables		3,009,417	14,558,814
Account payable from purchase of investments		-	267,500
Accrued interest payable		-	97,521,122
Other liabilities	14, 21	11,782,246	15,086,144
<b>Total liabilities</b>		<b>8,739,817,182</b>	<b>8,643,554,640</b>
<b>Shareholders' equity</b>			
Share capital			
Authorised, issued and fully paid-up			
100,000,000 ordinary shares of Baht 10 each		1,000,000,000	1,000,000,000
Retained earnings			
Appropriated			
Statutory reserve	15	90,633,214	90,633,214
Unappropriated		(1,149,588,075)	(41,729,567)
Net unrealised gain (loss) on securities for investment	6.2	44,913,737	(987,017,356)
<b>Total shareholders' equity (capital deficit)</b>		<b>(14,041,124)</b>	<b>61,886,291</b>
<b>Total liabilities and shareholders' equity</b>		<b>8,725,776,058</b>	<b>8,705,440,931</b>
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The accompanying notes are an integral part of the financial statements.

.....  
(Mr. Akarat Na Ranong)

Director

.....  
(Mr. Chongrak Rarueysong)

Director

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

**Income statements**

**For the three-month periods ended 31 March 2009 and 2008**

	<u>Note</u>	<u>2009</u>	<u>2008</u> (Unaudited but reviewed)
(Unit: Baht)			
<b>Interest and dividend income</b>			
Loans and deposits		67,813,897	97,924,244
Securities	6	21,092,327	129,741,262
<b>Total interest and dividend income</b>		<u>88,906,224</u>	<u>227,665,506</u>
<b>Expenses on borrowings</b>			
Interest and discounts on borrowings		112,172,435	164,074,046
<b>Total expenses on borrowings</b>		<u>112,172,435</u>	<u>164,074,046</u>
Net interest and dividend income (expenses)		(23,266,211)	63,591,460
Bad debts and doubtful accounts	8	2,139,271	7,041,832
Net interest and dividend income (expenses) after doubtful accounts		<u>(25,405,482)</u>	<u>56,549,628</u>
<b>Non-interest income</b>			
Gain on trading in securities	6.3	29,873,273	92,652,230
(Loss from) reversal of impairment of securities	1.2	(1,070,221,237)	712,851
Fees and services income		2,469	67,358
Loss on sales of equipment		95,042	(167,583)
Total non-interest income (expenses)		<u>(1,040,250,453)</u>	<u>93,264,856</u>
<b>Operating expenses</b>			
Personnel expenses		20,209,491	22,455,986
Premises and equipment expenses		8,260,790	10,062,907
Taxes and duties		2,292,300	3,251,162
Directors' remuneration		551,250	1,333,500
Other expenses		10,888,742	8,496,812
Total operating expenses		<u>42,202,573</u>	<u>45,600,367</u>
Income (loss) before income tax		(1,107,858,508)	104,214,117
Income tax	16	-	23,432,163
<b>Net income (loss) for the period</b>		<u>(1,107,858,508)</u>	<u>80,781,954</u>
<b>Basic earnings per share</b>			
Net income (loss)		<u>(11.08)</u>	<u>0.81</u>

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

.....  
(Mr. Akarat Na Ranong)

Director

.....  
(Mr. Chongrak Rarueysong)

Director

**TSFC Securities Public Company Limited****(Formerly known as “TSFC Securities Limited”)****Statements of changes in shareholders' equity****For the three-month periods ended 31 March 2009 and 2008**

	<u>Note</u>	<u>2009</u>	<u>2008</u> (Unaudited but reviewed)
<b>Share capital - ordinary shares</b>			
At beginning of period		1,000,000,000	1,000,000,000
At end of period		<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Retained earnings</b>			
Appropriated			
Statutory reserve			
At beginning of period		90,633,214	72,577,682
At end of period	15	<u>90,633,214</u>	<u>72,577,682</u>
Unappropriated			
At beginning of period		(41,729,567)	1,056,889,985
Increase during period - net income (loss) for the period		<u>(1,107,858,508)</u>	80,781,954
At end of period		<u>(1,149,588,075)</u>	<u>1,137,671,939</u>
<b>Net unrealised gains (loss) on securities for investment</b>			
At beginning of period		(987,017,356)	(525,142)
Change during period		1,031,931,093	(98,586,731)
At end of period	6.2	<u>44,913,737</u>	<u>(99,111,873)</u>
<b>Total shareholders' equity (capital deficit)</b>		<u><u>(14,041,124)</u></u>	<u><u>2,111,137,748</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 three-month periods ended 31 March 2009 and 2008**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
			(Unit: Baht) (Unaudited but reviewed)
<b>Unappropriated retained earnings</b>			
At beginning of period		(41,729,567)	1,056,889,985
Net income (loss) for period		(1,107,858,508)	80,781,954
Total unappropriated retained earnings (deficit)		<u>(1,149,588,075)</u>	<u>1,137,671,939</u>
<b>Appropriated retained earnings</b>			
Statutory reserve	15	<u>90,633,214</u>	<u>72,577,682</u>
Total appropriated retained earnings		<u>90,633,214</u>	<u>72,577,682</u>
<b>Total retained earnings (deficit)</b>		<u><u>(1,058,954,861)</u></u>	<u><u>1,210,249,621</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 three-month periods ended 31 March 2009 and 2008**

	<u>2009</u>	<u>2008</u>
		(Unaudited but reviewed)
		(Unit: Baht)
<b>Cash flows from operating activities</b>		
Net income (loss) before tax	(1,107,858,508)	104,214,117
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortisation	3,891,984	3,174,642
Amortisation of discount on investments in bonds and debentures	-	(6,062,034)
Amortisation of premium on investments in bonds and debentures	2,504,141	10,450,564
Bad debts and doubtful accounts (reversal)	2,139,271	7,041,832
Deferred tax	-	7,162,746
Loss on diminution in value of investments (reversal)	1,070,221,237	(712,851)
(Gain) loss on trading in securities	1,615,227	(92,652,230)
(Gain) loss on sales of equipment	(95,042)	167,583
Increase in accrued dividend and interest receivables	(88,906,273)	(227,665,506)
Decrease in accrued expenses	(2,354,369)	(10,199,774)
Interest expenses	112,172,435	164,074,046
Loss from operating activities before changes in operating assets and liabilities	(6,669,897)	(41,006,865)
(Increase) decrease in operating assets		
Investment in short-term securities for investment	(17,491,434)	741,874,594
Trading transactions pending clearance	11,123,336	(156,849,445)
Loans and securities business receivables	483,845,182	562,578,166
Receivable from sales of investments	(1,843,245,705)	-
Restricted fixed deposit at financial institution	(4,891)	(19,800)
Other assets	(30,455,168)	(25,327,320)

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 (continued)**

**For the three-month periods ended 31 March 2009 and 2008**

	<u>2009</u>	<u>2008</u>
		(Unit: Baht)
		(Unaudited but reviewed)
Increase (decrease) in operating liabilities		
Borrowings from banks and financial institutions	-	3,171,274,507
Securities sold under repurchase agreements	-	(1,260,629,502)
Trading transactions pending clearance	-	(478,174,861)
Securities business payables	(11,549,396)	(101,553,705)
Other liabilities	(1,225,182)	579,051
<b>Cash from (used in) operating activities</b>	<u>(1,415,673,155)</u>	<u>2,412,744,820</u>
Cash received from interest income	67,863,910	97,953,523
Cash paid from interest expenses	(375,634)	(158,634,803)
Cash paid for corporate income tax	(263,779)	(1,143,679)
<b>Net cash from (used in) operating activities</b>	<u>(1,348,448,658)</u>	<u>2,350,919,861</u>
<b>Cash flows from investing activities</b>		
Payments to acquire available-for-sale securities	(900,000,000)	(10,342,371,564)
Proceeds on disposal of available-for-sale securities	1,844,661,569	7,863,790,470
Cash received from dividends received	9,579,710	64,451,690
Cash received from interest on investments	25,064,946	98,610,397
Payments to acquire equipment	-	(26,049,650)
Proceeds on disposal of equipment	761,682	1,370,073
Payments to acquire intangible assets	(4,600,314)	(10,249,555)
<b>Net cash from (used in) investing activities</b>	<u>975,467,593</u>	<u>(2,350,448,139)</u>
<b>Cash flows from financing activities</b>		
Cash paid from interest expenses under restructuring agreement	(2,910,157)	-
<b>Net cash used in financing activities</b>	<u>(2,910,157)</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(375,891,222)</u>	<u>471,722</u>
Cash and cash equivalents at beginning of period	670,351,662	5,085,993
<b>Cash and cash equivalents at end of period (Note 5)</b>	<u><u>294,460,440</u></u>	<u><u>5,557,715</u></u>
<b>Supplement cash flows information</b>		
Non-cash item		
Payable from acquire equipment	8,335	17,205
Payable from restructuring agreement	8,722,195,528	-

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 three-month period ended 31 March 2009**

**1. General information**

**1.1 Corporate information**

TSFC Securities Public Company 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 from “TSFC Securities Limited” to “TSFC Securities Public Company Limited”. Its registered address is located at 9th and 10th Floor, Ploenchit Tower, 898 Ploenchit Road, Lumpini, Patumwan, Bangkok.

**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 crisis has substantially affected the business and financial plans of Thailand enterprises and asset values. It has resulted in substantial changes to the values of some the Company’s investments in available-for-sale securities and it will be difficult for stock prices to recover their original costs in near term. The Company consequently recognised impairment loss totaling Baht 1,070 million for investments in securities with fair values lower than their carrying amount, in the income statement for the three-month period ended 31 March 2009.

As at 31 March 2009, the Company had a deficit amounting to Baht 1,149.6 million and a capital deficit amounting to Baht 14 million. The Company is facing liquidity problems and has significant short-term loans that come due in the near future. 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.

The ability of the Company to continue its business as a going concern depends on the success of the rehabilitation process, the outcome of the processes of increasing capital and sourcing funds, and the success of practicable under the debts restructure agreement. These conditions indicate there is significant doubt as to the Company's ability to continue as a going concern. The final outcome cannot be assessed at this time. Nevertheless, the financial statements have been prepared on a going concern basis and thus without making the adjustments that might be required to present assets at their saleable values and liabilities in accordance with the amounts that would have to be repaid, and to reclassify accounts, in the event the Company was unable to continue as a going concern.

**1.3** The Company has the following investments in the unit trusts of open-end funds:

	Percentage of holding as at 31 March 2009
Smart Cash Fund	25.29
Aberdeen Thai Equity Dividend Fund	77.18

The Company does not treat the above investments of open-end funds as investments in associated or subsidiary companies because the Company has no management control over these funds and no significant influence over their financial or operational policies. The funds are independently managed by fund managers in accordance with the details of the fund projects and are under the supervision of the Office of Securities and Exchange Commission (“SEC”).

The Company’s objective in investing in the unit trusts of each of these open-end funds is to provide flexibility in liquidity management, generating a return on investment consistent with its cost while ensuring that the Company is able to meet its obligations under financial instruments and its irrevocable credit commitments. The Company therefore treats these investments as available-for-sale investments in order to reflect the intention of the investment.

#### **1.4 Thai Accounting Standards which are not effective for the current year**

The Federation of Accounting Professions (FAP) has issued Notifications No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these accounting standards and believes that TAS 54 (revised 2007) is not relevant to the business of the Company, whereas TAS 36 (revised 2007) does not have any significant impact on the financial statements for the current period.

## **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. 56 “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**

Trading securities consist of investments in marketable debt and equity securities that are held for sale in the near term to generate income on short-term price differences. Trading securities are reported at fair value. Changes in fair value of trading securities are presented as unrealised gains or losses included in the income statements.

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
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### **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 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.

### **3.11 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.

### **3.12 Financial derivatives**

#### **Future contracts**

Obligations under derivatives business which the Company enters into for trading 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.

### **3.13 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.

##### ***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)	
	31 March	31 December
	2009	2008
Cash	90,000	90,000
Saving and current deposits	305,288,821	684,625,702
Total	305,378,821	684,715,702
Less: Customers' deposits at financial institutions under the Company's name	(7,344,019)	(13,291,262)
Total cash and deposits at financial institutions - net	298,034,802	671,424,440
Restricted fixed deposits at financial institution (Note 21.1)	(744,371)	(739,480)
Bank overdrafts (Note 12)	(2,829,991)	(333,298)
Cash and cash equivalents	<u>294,460,440</u>	<u>670,351,662</u>

As at 31 March 2009, the Company's deposits at financial institutions totaling Baht 305,288,821 (31 December 2008: Baht 684,625,702) included customers' deposits at call under the Company's name totaling Baht 7,344,019 (31 December 2008: Baht 13,291,262) and Baht 298,034,802 (31 December 2008: Baht 671,424,440) of the Company's cash and deposits at financial institutions.

### **6. Investment in securities**

	(Unit: Baht)			
	31 March 2009		31 December 2008	
	Cost/ Amortisation cost	Fair value	Cost/ Amortisation cost	Fair value
<u>Securities for investment</u>				
Available-for-sale securities				
Equity securities				
Listed securities	30,963,098	9,249,000	30,963,098	6,384,000
Add (Less): Allowance for revaluation of securities	2,549,000	-	(24,579,098)	-
Allowance for diminution in value of securities	(24,263,098)	-	-	-
Subtotal	<u>9,249,000</u>	<u>9,249,000</u>	<u>6,384,000</u>	<u>6,384,000</u>

(Unit: Baht)

	31 March 2009		31 December 2008	
	Cost/ Amortisation	Fair value	Cost/ Amortisation	Fair value
	cost		cost	
Debt instruments				
Government and state enterprises bond	1,408,374,835	1,450,157,148	1,410,878,975	1,440,021,751
Private debt securities	20,000,000	20,145,899	20,000,000	20,145,899
Add (Less): Allowance for revaluation of securities	41,928,212	-	29,288,675	-
Government securities for customers accounts	-	-	(17,491,434)	(17,491,434)
Subtotal	<u>1,470,303,047</u>	<u>1,470,303,047</u>	<u>1,442,676,216</u>	<u>1,442,676,216</u>
Unit trusts				
Money market fund	900,000,000	903,314,641	-	-
Debt fund	248,752,222	248,506,346	248,752,222	255,356,625
Equity fund	778,319,826	529,692,285	3,421,926,662	2,423,322,126
Foreign Investment Fund	80,000,000	77,717,200	80,000,000	80,473,200
Property fund	10,000,000	9,650,000	10,000,000	9,800,000
Right to bills	2,879,656	-	4,295,520	-
Add (Less): Allowance for revaluation of securities	436,524	-	(991,726,933)	-
Allowance for diminution in value of securities	(251,507,756)	-	(4,295,520)	-
Subtotal	<u>1,768,880,472</u>	<u>1,768,880,472</u>	<u>2,768,951,951</u>	<u>2,768,951,951</u>
Total available-for-sale securities - net	<u>3,248,432,519</u>	<u>3,248,432,519</u>	<u>4,218,012,167</u>	<u>4,218,012,167</u>
Total securities for investment - net	<u>3,248,432,519</u>	<u>3,248,432,519</u>	<u>4,218,012,167</u>	<u>4,218,012,167</u>

During the current period, dividend income from investments in the unit trusts amounted to Baht 9.6 million (31 March 2008: Baht 68.4 million) was presented as a part of interest and dividend income on securities in the statements of income.

During the current period, the Company recognised loss on impairment on investments in available-for-sales securities amounting to Baht 1,070.2 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 March 2009		
Type of business	Investment amount (Baht)	Percentage of holding
<u>Debt Fund</u>		
Smart Cash Fund	248,752,222	25.29
<u>Equity Fund</u>		
Aberdeen Thai Equity Dividend Fund	773,299,826	77.18
31 December 2008		
Type of business	Investment amount (Baht)	Percentage of holding
<u>Debt Fund</u>		
Smart Cash Fund	248,752,222	32.81
<u>Equity Fund</u>		
AYF Dividend Stock Fund 70/30	397,421,533	97.36
AYF Star Capital Fund 70/30	1,472,885,477	99.75
Aberdeen Thai Equity Dividend Fund	1,546,599,653	87.14

6.2 Unrealised gain (loss) on securities for investment

(Unit: Baht)		
	For the three-month period ended 31 March 2009	For the year ended 31 December 2008
Balance - beginning of the period/year	(987,017,356)	(525,142)
Changes during the period/year		
- from revaluation	260,376,708	(1,618,159,745)
- from purchase of securities	3,314,641	631,892,592
- from sales of securities	768,239,744	-
- from deferred tax (Note 16)	-	(225,061)
Balance - end of the period/year	44,913,737	(987,017,356)

### 6.3 Gain on trading in securities

(Unit: Baht)

	For the three-month periods ended	
	31 March 2009	31 March 2008
		(Unaudited but reviewed)
Gain (loss) on trading in available-for-sale securities	(1,615,227)	92,652,230
Gain on derivative instruments	31,488,500	-
Total	<u>29,873,273</u>	<u>92,652,230</u>

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

### 7.1 Classified by maturity

(Unit: Baht)

	31 March 2009	31 December 2008
Less than one year	2,761,860,080	3,081,864,872
Over one year	152,647,599	412,363,828
Past due	365,462,303	269,586,464
Total loans and securities business receivables	3,279,969,982	3,763,815,164
Add: Accrued interest receivables	87,797	137,667
Less: Allowance for doubtful accounts (Note 8)	(466,618,227)	(464,478,956)
Total loans and securities business receivables and accrued interest receivables - net	<u>2,813,439,552</u>	<u>3,299,473,875</u>

As at 31 March 2009 and 31 December 2008, the Company had discontinued recognising income from loans and receivables with total outstanding balances of principle and accrued interest receivables of approximately Baht 753.57 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 March 2009				
	Number	Outstanding	Collateral	Allowance for doubtful accounts
Loans for purchase of securities	22	639.12	388.28	350.83
Discontinued financial institutions	4	114.45	-	114.45
<b>Total</b>	<b>26</b>	<b>753.57</b>	<b>388.28</b>	<b>465.28</b>

(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 March 2009 and 31 December 2008, classified loans, securities business receivables are as follows:

(Unit: Million Baht)

	31 March 2009				31 December 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	1,045	2,526.4	(1.3)	2,525.1	1,229	2,907.3	(1.6)	2,905.7
Special mention	1	-	-	-	6	1.4	-	1.4
Doubtful debt	26	753.6	(465.3)	288.3	31	855.2	(462.8)	392.4
<b>Total</b>	<b>1,072</b>	<b>3,280.0</b>	<b>(466.6)</b>	<b>2,813.4</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 March 2009		
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
Balance at beginning of period			
- 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	-	(25,369)	(25,369)
- Specific	-	2,164,640	2,164,640
	-	2,139,271	2,139,271
Balance at end of period			
- General (Note 7.2)	-	1,612,121	1,612,121
- Specific (Note 7.2)	-	465,006,106	465,006,106
	-	466,618,227	466,618,227

(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

(Unit: Baht)

	31 December 2008		
	Loans to financial institutions and accrued interest receivables	Loans, securities business receivables and accrued interest receivables	Total
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	-	8,335	-	-	8,335
Disposal	-	-	-	(1,433,000)	(1,433,000)
31 March 2009	31,537,514	29,608,342	5,031,489	8,546,000	74,723,345
<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 period	1,534,981	1,064,580	232,502	414,763	3,246,826
Depreciation for disposal	-	-	-	(766,360)	(766,360)
31 March 2009	6,065,191	17,317,107	1,372,585	5,444,445	30,199,328
<b>Net book value</b>					
31 December 2008	27,007,304	13,347,480	3,891,406	4,182,958	48,429,148
31 March 2009	25,472,323	12,291,235	3,658,904	3,101,555	44,524,017
<b>Depreciation charge included in income statements for the three-month periods ended</b>					
31 March 2008 (unaudited but reviewed)					2,632,207
31 March 2009					3,246,826

As at 31 March 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 9.7 million (31 December 2008: Baht 9.4 million).

## 10. Intangible assets

				(Unit: Baht)
	31 December			31 March
	2008	Additions	Amortised	2009
Software	<u>54,648,057</u>	<u>4,600,314</u>	<u>(498,143)</u>	<u>58,750,228</u>

Part of the above intangible assets comprises development costs of the Securities Borrowing and Lending (SBL) program, amounting to Baht 47.8 million.

## 11. Other assets

			(Unit: Baht)
	31 March	31 December	
	2009	2008	
Deposits	<u>3,628,948</u>	<u>3,628,948</u>	
Prepaid expenses	<u>1,371,864</u>	<u>1,525,227</u>	
Deferred charges	<u>505,685</u>	<u>-</u>	
Revenue Department receivable - 2007	<u>6,384,483</u>	<u>6,384,483</u>	
- 2008	<u>24,587,725</u>	<u>24,587,725</u>	
Others	<u>286,620</u>	<u>15,313</u>	
Total other assets	<u>36,765,325</u>	<u>36,141,696</u>	
Amortisation of deferred charges included in income statements for the three-month periods ended			
31 March 2008 (unaudited but reviewed)		<u>223,472</u>	
31 March 2009		<u>147,015</u>	

## 12. Borrowings

(Unit: Baht)

	31 March 2009		31 December 2008	
	From banks	From financial institutions	From banks	From financial institutions
Past due	-	-	-	1,919,000,000
Bank overdraft	2,829,991	-	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	-	-	-	207,800,000
Over one year	-	-	-	30,000,000
Total borrowings	2,829,991	-	1,149,867,648	7,366,253,412

The past due amounts comply with the resolution of the Board of Directors approving the cessation of debt settlement to loans creditors of the Company, effective from 16 December 2008.

## 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 June 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 period, the Company paid interest amounting to Baht 2,910,157 to group 4 and group 5 creditors and deducted withholding tax amounting to Baht 370,779 in accordance with the debt restructuring agreement.

The remaining balances of debt of Baht 8,722,195,528 already restructured as at 31 March 2009, classified by the repayment period, are as follow:

	(Unit: Baht)
	<u>31 March 2009</u>
1-7 days	2,270,841,763
More than 7 - 30 days	2,280,735,421
More than 1 - 3 months	24,339,493
More than 3 - 6 months	24,339,493
More than 6 - 12 months	2,030,837,362
Over one year	1,642,332,003
Convert debt to equity	300,000,020
Unrealised gain on restructuring	<u>148,769,973</u>
Total	<u><u>8,722,195,528</u></u>

The Company will recognise gain on debt restructuring when 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 amounting to Baht 148,769,973 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.

#### 14. Other liabilities

	(Unit: Baht)	
	31 March	31 December
	2009	2008
Accrued expenses	<u>425,003</u>	<u>250,000</u>
Severance pay provisions for retirement	3,823,949	6,207,469
Withholding tax payable	1,013,840	515,422
Specific business tax payable	719,314	1,005,600
Other payable	3,153,073	3,334,606
Others	<u>2,647,067</u>	<u>3,773,047</u>
Total other liabilities	<u><u>11,782,246</u></u>	<u><u>15,086,144</u></u>

## 15. Statutory reserve

(Unit: Baht)

	31 March 2009	31 December 2008
Beginning balance	90,633,214	72,577,682
Appropriation during peirod/year	-	18,055,532
Ending balance	90,633,214	90,633,214

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.

## 16. Income tax

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

(Unit: Baht)

	For the three-month periods ended	
	31 March 2009	31 March 2008
		(Unaudited but reviewed)
Accounting income (loss)	(1,107,858,508)	104,214,117
Income not subject to tax	(4,789,855)	(27,928,996)
Expenses (deductible) not deductible for tax purposes	269,879,828	(22,053,732)
Tax losses brought forward	(972,548,314)	-
Taxable income (loss)	(1,815,316,849)	54,231,389
Current income tax expenses at the rate of 30 percent	-	16,269,417

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

	(Unit: Baht)	
	<u>For the three-month periods ended</u>	
	<u>31 March 2009</u>	<u>31 March 2008</u>
		(Unaudited but reviewed)
Accounting income (loss)	<u>(1,107,858,508)</u>	<u>104,214,117</u>
Applicable tax rate of 30%	-	31,264,235
Net tax effect of non-deductible (income) expenses	-	<u>(7,832,072)</u>
Income tax expenses as included in income statements	<u>-</u>	<u>23,432,163</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 three-month period ended	For the year ended
	<u>31 March 2009</u>	<u>31 December 2008</u>
Deferred tax related to unrealised loss on securities for investment	<u>-</u>	<u>(225,061)</u>

Because management estimate that future income will not be sufficient to utilize the benefits of the deferred tax assets, the management wrote-off deferred tax assets from the accounts.

## 17. Earnings per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of ordinary shares in issue during the period.

## 18. 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 period 2009, the Company contributed Baht 1,244,351 (31 March 2008: Baht 1,423,479) to the provident fund.

## 19. Capital fund

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

	(Unit: Baht)	
	31 March 2009	31 December 2008
<u>Tier 1 capital</u>		
Paid-up capital	1,000,000,000	1,000,000,000
Statutory reserve	90,633,214	90,633,214
Net income after appropriation	-	858,834,453
Net loss in accounting period	(41,729,567)	(896,415,220)
Total Tier 1 capital	1,048,903,647	1,053,052,447
Unrealised losses from securities for investment	(987,017,356)	(987,017,356)
Total capital fund maintained by law	61,886,291	66,035,091
Total capital ratio (%)	0.92	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.

## 20. Commitments

### 20.1 Capital commitments

As at 31 March 2009, the Company had capital commitments of approximately Baht 21.4 million relating to system development and maintenance.

### 20.2 Operating lease commitments

As at 31 March 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	11.6
2 - 3 years	2.2

### 20.3 Financial advisories and legal consulting commitments

The Company hired a financial advisor to advise and assist the Company with its entry into a rehabilitation process, including plans to increase capital. The Company is obliged to pay monthly financial advisory fees as specified in the agreement, which comprise Baht 450,000 in January 2009 and Baht 300,000 per month from February 2009 until the date the debt restructuring contract is signed (if the debt restructuring and capital plans are implemented out of court) or the month that the Central Bankruptcy Court approves the rehabilitation plan (if the debt restructuring and capital plans are implemented through the Central Bankruptcy Court). Moreover, if the Company successfully completes its capital increase, it is to pay a success fee at a percentage of the additional capital raised less the monthly financial advisory fees already paid. The Company is obliged to pay advisory services fees for preparing the debt restructuring and capital plans out of court amounting to Baht 1 million within five days from the date of the debt restructuring contract. The Company is obliged to pay legal consultation fees in relation to corporate restructuring, including the debt and capital restructuring plans of the Company, dependent on the number of hours spent, but not more than Baht 1.2 million.

## **21. Litigation**

- 21.1 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.
- 21.2 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. At present, a date is being set for a settlement of issues, and the outcome of the case is thus not known at this time. The Company has therefore not recorded provision in the accounts.

## **22. Financial instruments**

### **22.1 Financial risk management**

The Company's financial instruments, as defined under Thai Accounting Standard No. 48 "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 March 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						Interest rate (Percentage)	
	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 - assets</u></b>								
Cash and deposits at financial institutions	286.3	-	0.7	-	-	11.0	298.0	0.00-2.75
Investments in equity securities - net	-	-	-	-	-	9.2	9.2	-
Investments in debt securities - net	20.0	-	-	1,450.3	-	-	1,470.3	3.70-4.25
Investments in unit trust - net	-	-	-	-	-	1,768.9	1,768.9	-
Loan, securities business receivables and accrued interest receivables	2,704.3	-	8.8	100.3	-	-	2,813.4	5.00-10.00
<b><u>Financial instruments - liabilities</u></b>								
Borrowings	2.8	-	-	-	-	-	2.8	-
Payable from restructuring agreement	-	-	6,631.1	1,642.3	-	448.8	8,722.2	1.50-3.00
Securities business payables	-	-	-	-	-	3.0	3.0	-

### Liquidity risk

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

(Unit: Million Baht)

	Outstanding balances of financial instruments				
	At call	Within 1 year	1 - 5 years	Over 5 years	Total
<b><u>Financial instruments - assets</u></b>					
Cash and deposits at financial institutions	297.3	0.7	-	-	298.0
Investments in equity securities - net	-	9.2	-	-	9.2
Investments in debt securities - net	-	-	1,470.3	-	1,470.3
Investments in unit trust - net	-	1,691.2	77.7	-	1,768.9
Loan, securities business receivable and accrued interest receivables	-	2,695.8	117.6	-	2,813.4

(Unit: Million Baht)

	Outstanding balances of financial instruments				Total
		Within	1 - 5	Over 5	
	At call	1 year	years	years	
<b><u>Financial instruments - liabilities</u></b>					
Borrowings	2.8	-	-	-	2.8
Payable from restructuring agreement	-	7,079.9	1,642.3	-	8,722.2
Securities business payables	-	3.0	-	-	3.0

## 22.2 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.

## 23. Capital management

The primary objectives of the Company's capital management are to ensure that it has an appropriate financial structure, preserves the ability to continue its business as a going concern and maintains capital funds in accordance with the rules laid down by the Securities and Exchange Commission. Although the Company has a capital deficit, it is in the process of increasing its capital sufficiently to enable it to continue its business as normal, as discussed in Note 1.2 to the financial statements.

## 24. 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.

## 25. 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.

## 26. Reclassification

Certain amounts in the financial statements for the three-month period ended 31 March 2008 have been reclassified to conform to the current period's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

	(Unit: Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
<u>Cash flow statements</u>		
Accrued dividend and interest receivables	(227,665,506)	33,350,104
Cash received from interest income	97,953,523	-
Cash received from dividends received	64,451,690	-
Cash received from interest on investments	98,610,397	-

## 27. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Director on 10 April 2009.