

TSFC Securities Public Company Limited
Review report and interim financial statements
For the three-month period ended 31 March 2014

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TSFC Securities Public Company Limited

I have reviewed the accompanying statement of financial position of TSFC Securities Public Company Limited as at 31 March 2014, the related statements of comprehensive income, changes in owners' equity and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.



Pimjai Manitkajohnkit

Certified Public Accountant (Thailand) No. 4521

EY Office Limited

Bangkok: 19 May 2014

TSFC Securities Public Company Limited

Statement of financial position

As at 31 March 2014

(Unit: Thousand Baht)

	Note	31 March 2014 (Unaudited but reviewed)	31 December 2013 (Audited)
Assets			
Cash and cash equivalents	2	2,610	4,623
Deposits at financial institutions	3	-	-
Loans to financial institutions - net	4	-	-
Receivables from Clearing House	5	27,863	38,592
Securities business receivables - net	6	2,620,864	2,659,018
Investments - net	8	256,892	234,791
Equipment - net	9	2,248	2,657
Intangible assets - net	10	43,490	48,641
Other assets		7,689	5,738
Total assets		2,961,656	2,994,060

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



(Mrs. Chanisa Chutipat)

Director



Securities Public Company Limited
บริษัทหลักทรัพย์ สาธารณชน จำกัด (มหาชน)



(Miss Yaowaluk Aramthaveethong)

Director

TSFC Securities Public Company Limited
Statement of financial position (continued)
As at 31 March 2014

(Unit: Thousand Baht)

	<u>Note</u>	<u>31 March 2014</u> (Unaudited but reviewed)	<u>31 December 2013</u> (Audited)
Liabilities and owners' equity			
Liabilities			
Borrowings from financial institutions	11	1,729,810	1,729,177
Payables to Clearing House	12	-	15,635
Securities business payables	13	45,449	60,113
Provisions for long-term employee benefits		10,473	10,786
Deferred tax liabilities		64	71
Other liabilities		6,221	11,079
Total liabilities		<u>1,792,017</u>	<u>1,826,861</u>
Owners' equity			
Share capital			
Authorised share capital			
130,000,050 ordinary shares of Baht 10 each		1,300,001	1,300,001
Issued and paid-up share capital			
101,673,984 ordinary shares of Baht 10 each		1,016,740	1,016,740
Retained earnings			
Appropriated			
Statutory reserve		10,735	9,499
Unappropriated			
		141,907	140,676
Other components of owners' equity	8.2	257	284
Total owners' equity		<u>1,169,639</u>	<u>1,167,199</u>
Total liabilities and owners' equity		<u>2,961,656</u>	<u>2,994,060</u>

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

Chanisa Chutipat

(Mrs. Chanisa Chutipat)

Director



Securities Public Company Limited

บริษัทหลักทรัพย์ จำกัด (มหาชน)

Yaowaluk Aramthaveethong

(Miss Yaowaluk Aramthaveethong)

Director

(Unaudited but reviewed)

TSFC Securities Public Company Limited
Statement of comprehensive income
For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	<u>Note</u>	<u>2014</u>	<u>2013</u>
Revenues			
Fees and services income	14	18	367
Gain on securities	8.3	841	375
Interest and dividend		1,357	1,421
Interest on margin loans		54,466	66,511
Other income		1	-
Total revenues		<u>56,683</u>	<u>68,674</u>
Expenses			
Finance costs		25,989	33,069
Fees and services expenses		379	1,018
Operating expenses			
Personnel expenses		14,041	14,547
Premises and equipment expenses		4,857	5,698
Directors' remuneration		643	485
Tax expenses		1,802	2,258
Other expenses		6,559	7,310
Bad debt and doubtful accounts (reversal)		(54)	477
Total expenses		<u>54,216</u>	<u>64,862</u>
Profit for the period	16	<u>2,467</u>	<u>3,812</u>
Other comprehensive income			
Loss on re-measuring available-for-sale investments	8.2	(34)	(133)
Income tax relating to components of other comprehensive income	16	7	41
Total other comprehensive income		<u>(27)</u>	<u>(92)</u>
Total comprehensive income		<u>2,440</u>	<u>3,720</u>

(Unit: Baht)

Basic earnings per share	17		
Profit for the period		<u>0.02</u>	<u>0.04</u>

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



(Mrs. Chanisa Chutipat)

Director



TSFC Securities Public Company Limited

บริษัท ทีเอสเอฟ ซีเคียวริตีส์ สาธารณชน จำกัด



(Miss Yaowaluk Aramthaveethong)

Director

(Unaudited but reviewed)

TSFC Securities Public Company Limited
Statement of changes in owners' equity
For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	Issued and		Retained earnings		Total other components of owners' equity	Total owners' equity
	paid-up share capital	Appropriated	Unappropriated	available-for-sale investments		
Balance as at 1 January 2013	1,016,740	9,499	115,965	104	104	1,142,308
Total comprehensive income for the period	-	-	3,812	(92)	(92)	3,720
Balance as at 31 March 2013	1,016,740	9,499	119,777	12	12	1,146,028
Balance as at 1 January 2014	1,016,740	9,499	140,676	284	284	1,167,199
Total comprehensive income for the period	-	-	2,467	(27)	(27)	2,440
Appropriated to statutory reserve	-	1,236	(1,236)	-	-	-
Balance as at 31 March 2014	1,016,740	10,735	141,907	257	257	1,169,639

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

(Unaudited but reviewed)

TSFC Securities Public Company Limited

Statement of cash flows

For the three-month period ended 31 March 2014

	<u>2014</u>	<u>2013</u>
(Unit: Thousand Baht)		
Cash flows from operating activities		
Profit before tax	2,467	3,812
Adjustments to reconcile profit before tax to net cash provided by (paid for) operating activities:		
Depreciation and amortisation	5,562	6,055
Bad debts and doubtful accounts (reversal)	(54)	477
Amortisation of discount on investments in bonds and debentures	(1,011)	(1,371)
Gain on trading in securities	(841)	(375)
Accrued dividend and interest receivables	(55,823)	(67,932)
Accrued interest	25,989	33,069
Reserve for employee benefits	603	2,040
Decrease in accrued expenses	(2,341)	(2,781)
Cash received from interest income	54,475	66,435
Cash paid from interest expenses	(27,483)	(31,904)
Profit from operating activities before changes in operating assets and liabilities	1,543	7,525
(Increase) decrease in operating assets		
Receivables from Clearing House	10,729	(90,777)
Securities business receivables	38,200	(249,384)
Short-term investments	(91,359)	4,734
Other assets	(1,560)	(2,183)
Increase (decrease) in operating liabilities		
Borrowings from financial institutions	633	88,100
Payables to Clearing House	(15,635)	(33,218)
Securities business payables	(14,664)	61,671
Provisions for long-term employee benefits	(916)	(3,339)
Other liabilities	(1,024)	(239)
Net cash flows used in operating activities	<u>(74,053)</u>	<u>(217,110)</u>

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

(Unaudited but reviewed)

TSFC Securities Public Company Limited

Statement of cash flows (continued)

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	<u>2014</u>	<u>2013</u>
Cash flows from investing activities		
Payments to acquire available-for-sale securities	(245,000)	(475,000)
Proceeds on disposal of available-for-sale securities	316,077	695,372
Cash received from dividends received	-	4
Cash received from interest on investments	965	1,371
Payments to acquire equipments	(2)	(253)
Net cash flows from investing activities	<u>72,040</u>	<u>221,494</u>
Net increase (decrease) in cash and cash equivalents	(2,013)	4,384
Cash and cash equivalents at beginning of period	4,623	5,073
Cash and cash equivalents at end of period (Note 2)	<u><u>2,610</u></u>	<u><u>9,457</u></u>
 Supplemental cash flows information		
Non-cash items		
Payable from acquire intangible assets	1,017	-

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

TSFC Securities Public Company Limited
Notes to interim financial statements
For the three-month period ended 31 March 2014

1. General information

1.1 Corporate information

TSFC Securities Public Company Limited (hereinafter referred to as "the Company") is a public 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. Its registered address is located at 898 Ploenchit Tower, 10th Floor, Ploenchit Road, Lumpini, Patumwan, Bangkok.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) "*Interim Financial Reporting*", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in owners' equity, and cash flows in the same format as that used for the annual financial statements.

In addition, the financial statements are prepared in compliance with the stipulations of the Notification of the Office of the Securities and Exchange Commission No. Sor Thor/Khor/Nor.53/2553 relating to the format of financial statements for securities companies, dated 15 December 2010.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

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

1.3 New accounting standards**(a) Accounting standards that became effective in the current accounting year**

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

(b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013

2. Cash and cash equivalents

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Cash	50	50
Saving and current deposits	11,252	21,956
Less: Deposits for customers' account	(8,692)	(17,383)
Total cash and cash equivalents	<u>2,610</u>	<u>4,623</u>

(Unaudited but reviewed)

3. Deposits at financial institutions

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Fixed deposits with maturity over 3 months but less than 1 year	70,000	-
Less: Deposits for customers' account	(70,000)	-
Total deposits at financial institutions	<u>-</u>	<u>-</u>

4. Loans to financial institutions

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
At call	112,419	112,419
Less: Allowance for doubtful accounts (Note 7)	(112,419)	(112,419)
Total loans to financial institutions - net	<u>-</u>	<u>-</u>

The Company had discontinued recognising income from 4 debtors. These comprise of transactions with problem financial institutions which were ordered to discontinue their operations by Ministry of Finance on 8 December 1997.

5. Receivables from Clearing House

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Receivables from Clearing House	27,863	38,592
Total receivables from Clearing House	<u>27,863</u>	<u>38,592</u>

6. Securities business receivables

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Securities business receivables		
Customers' accounts - credit balance	2,620,966	2,659,166
Other receivables	304,807	307,019
Total securities business receivables	2,925,773	2,966,185
Add: Accrued interest receivables	113	121
Less: Allowance for doubtful accounts (Note 7)	(305,022)	(307,288)
Net securities business receivables	<u>2,620,864</u>	<u>2,659,018</u>

- 6.1 As at 31 March 2014, the Company had discontinued recognising income from loans and receivables with total outstanding balances of approximately Baht 304.8 million (31 December 2013: Baht 307.0 million).
- 6.2 The Company has classified securities business receivables according to a Notification set out by the Office of the Securities and Exchange Commission. As at 31 March 2014 and 31 December 2013, classified loans, securities business receivables are as follows:

	31 March 2014				31 December 2013			
	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	277	2,621.1	(0.2)	2,620.9	284	2,659.3	(0.3)	2,659.0
Doubtful debt	10	304.8	(304.8)	-	11	307.0	(307.0)	-
Total	287	2,925.9	(305.0)	2,620.9	295	2,966.3	(307.3)	2,659.0

(Unit: Million Baht)

7. Allowance for doubtful accounts

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Balance - beginning of the period/year	419,707	506,466
Bad debt recoverable	-	(57)
Reversal of bad debt and doubtful accounts	(2,266)	(86,702)
Balance - end of the period/year	417,441	419,707

8. Investments in securities

(Unit: Thousand Baht)

	31 March 2014		31 December 2013	
	Cost/ Amortisation cost	Fair value	Cost/ Amortisation cost	Fair value
Available-for-sale securities				
Debt instruments				
Government and state enterprises bond	219,233	213,303	199,698	199,725
Add (less): Allowance for revaluation of securities	70	-	27	-
Government securities for customers accounts	(32,836)	(32,836)	(105,671)	(105,671)
Total debt instruments - net	186,467	186,467	94,054	94,054
Unit trusts				
Money market fund	70,164	70,409	140,400	140,722
Equity fund	10	16	10	15
Less: Allowance for revaluation of securities	251	-	327	-
Total unit trusts - net	70,425	70,425	140,737	140,737
Total available-for-sale securities - net	256,892	256,892	234,791	234,791

(Unaudited but reviewed)

8.1 Investments in debt instruments classify by the remaining contracts

(Unit: Thousand Baht)

	31 March 2014				31 December 2013			
	Not over		Over 5		Not over		Over 5	
	1 year	1-5 years	years	Total	1 year	1-5 years	years	Total
Debt instruments	219,303	-	-	219,303	199,725	-	-	199,725
Total	219,303	-	-	219,303	199,725	-	-	199,725

8.2 Surplus (deficit) on changes in value of available-for-sale investments

(Unit: Thousand Baht)

	For the three-month	
	period ended 31 March 2014	For the year ended 31 December 2013
Balance - beginning of the period/year (net of income tax)	284	118
Changes during the period/year		
- from revaluation (before net of income tax)	288	347
- from sales of securities (before net of income tax)	(322)	(140)
- income tax	7	(41)
Balance - end of the period/year	257	284

8.3 Gain on securities

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2014	2013
Gain on trading in available-for-sale securities	841	375
Total	841	375

9. Equipment

Movements of the equipment account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht)
	<u>Total</u>
Cost	
31 December 2013	61,064
Additions	2
Disposals	(41)
31 March 2014	<u>61,025</u>
Accumulated depreciation	
31 December 2013	58,407
Depreciation for the period	411
Depreciation on disposals	(41)
31 March 2014	<u>58,777</u>
Net book value	
31 December 2013	<u>2,657</u>
31 March 2014	<u>2,248</u>

As at 31 March 2014, 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 55.2 million (31 December 2013: Baht 52.8 million).

10. Intangible assets

	(Unit: Thousand Baht)
	<u>Total</u>
Net book value as at 1 January 2014	48,641
Amortisation for the period	(5,151)
Net book value as at 31 March 2014	<u>43,490</u>

Part of the above intangible assets comprises development costs of the Securities Borrowing and Lending (SBL) program, amounting to Baht 27.9 million (31 December 2013: Baht 31.7 million).

11. Borrowings

(Unit: Thousand Baht)

	31 March 2014			31 December 2013				
	Interest rate (% per annum)	Due period		Interest rate (% per annum)	Due period			
		Not over 1 year	1-5 years		Total	Not over 1 year	1-5 years	Total
Bill of exchange	4.30 - 4.50	129,810	-	129,810	4.35 - 4.50	129,177	-	129,177
Loans	5.25 - 6.125	880,000	720,000	1,600,000	5.375 - 6.25	860,000	720,000	1,600,000
Borrowing from financial institutions		1,009,810	720,000	1,729,810		1,009,177	720,000	1,729,177

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

As at 31 March 2014 and 31 December 2013, the credit facilities of the Company that had not yet been drawn down amounted to Baht 1,660 million from 5 banks and the Stock Exchange of Thailand.

12. Payables from Clearing House

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Payables from Clearing House	-	15,635
Total payables from Clearing House	-	15,635

13. Securities business payables

(Unit: Thousand Baht)

	31 March 2014	31 December 2013
Payables from trading investments with cash	45,448	60,112
Collateral payables	1	1
Total securities business payables	45,449	60,113

14. Fee and service income

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2014	2013
Front end fee income	15	365
Other fee and service income	3	2
Total	18	367

15. Directors and management's benefits

During the periods, the Company had salaries, bonuses, meeting allowances, gratuities of their directors and management and employee benefits were as follows:

(Unit: Thousand Baht)

	For the three-month periods ended 31 March	
	2014	2013
Management expenses		
- Short-term benefits	6,779	5,677
- Retirement benefits	929	1,374
Total	7,708	7,051

16. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year. No corporate income tax was payable for the three-month period ended 31 March 2014 due to there is tax loss brought forward from previous years over profit for the period.

The amounts of income tax relating to each component of other comprehensive income for the three-month periods ended 31 March 2014 and 2013 are as follows:

(Unit: Thousand Baht)

	2014	2013
Deferred tax relating to gain on changes in value of available-for-sale investments	7	41

17. Earnings per share

Basic earnings per share is calculated by dividing profit (loss) for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

18. 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 31 March 2014, the Company was able to maintain the required net capital.

19. Commitments

19.1 Capital commitments

As at 31 March 2014, the Company had capital commitments of approximately Baht 1.1 million (31 December 2013: Baht 0.8 million) relating to systems development and maintenance and Baht 0.3 million relating to fees for the plan to increase in share capital (31 December 2013: Nil).

19.2 Operating lease commitments

The Company had entered into several lease agreements in respect of the lease of area in the building, equipments and vehicles. The terms of the agreements are generally between 1 year and 3 years.

Future minimum lease payments required under operating leases contracts were as follows:

	(Unit: Million Baht)	
	31 March 2014	31 December 2013
Payable:		
In up to 1 year	10.1	11.7
In over 1 and up to 5 years	7.7	9.8

20. 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 a rate of 7.5% per annum. On 23 June 2006, the Company appealed this judgement with the Appeal Court. On 11 February 2011, the Appeal Court dismissed the lawsuit of the plaintiff. On 8 March 2011, the plaintiff appealed the decision. On 21 February 2014, the Supreme Court affirmed the Appeal Court's decision, and as a result the case is final. The Company has reversed the other liabilities previously recorded by netting the amount with other expenses in the statement of comprehensive income for the current period.

21. Segment information

The Company is principally engaged in the granting credits to securities business. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

22. Events after the reporting period

On 21 April 2014, the Annual General Meeting of the Company's shareholders for the year 2014 passed resolutions approving the following matters:

- 1) Payment of a dividend of Baht 1.05 per share to the ordinary shareholders, from profit for the year 2013 and part of retained earnings, or a total of Baht 106.8 million. The dividend payment will be made on 19 May 2014 and will be reflected in the financial statements of the second quarter of 2014.
- 2) The reduction of the registered share capital from Baht 1,300,000,500 to Baht 1,016,739,840, by canceling 28,326,066 unissued ordinary shares with a par value of Baht 10 each.
- 3) An increase in the registered share capital from Baht 1,016,739,840 to Baht 1,549,125,840, by issuing an additional 53,238,600 shares with a par value of Baht 10 each to be allocated to support offers of shares to existing shareholders by means of private placements, at a price of Baht 10 per share. The Company registered the increase in its registered share capital with the Ministry of Commerce on 6 May 2014 and set the period for subscription and payment during 9 - 13 June 2014.

23. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's Board of Directors on 19 May 2014.