

THE STOCK EXCHANGE OF THAILAND

CONSOLIDATED AND ENTITY FINANCIAL STATEMENTS

31 DECEMBER 2007

AUDITOR'S REPORT

To the Members of The Stock Exchange of Thailand

I have audited the accompanying consolidated and entity balance sheets as of 31 December 2007 and 2006, and the related consolidated and entity statements of revenues and expenses, changes in fund balances and cash flows for the years then ended of The Stock Exchange of Thailand and its subsidiaries and of The Stock Exchange of Thailand, respectively. The Stock Exchange of Thailand's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an 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.

In my opinion, the consolidated and entity financial statements referred to above present fairly, in all material respects, the consolidated and entity financial position as of 31 December 2007 and 2006, and the consolidated and entity results of operations and cash flows for the years then ended of The Stock Exchange of Thailand and its subsidiaries and of The Stock Exchange of Thailand, respectively, in accordance with generally accepted accounting principles.

Unakorn Phruithithada
Certified Public Accountant (Thailand) No. 3257
PricewaterhouseCoopers ABAS Limited

Bangkok
27 February 2008

The Stock Exchange of Thailand
Balance Sheets
As at 31 December 2007 and 2006

| | | (Unit : Thousand Baht) | | | |
|--|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Consolidated | | SET | |
| | | | | Restated | |
| Assets | Notes | 2007 | 2006 | 2007 | 2006 |
| Current assets | | | | | |
| Cash and cash equivalents | | 260,320 | 347,912 | 102,257 | 85,634 |
| Short-term investments | 4 | 5,311,747 | 4,982,397 | 4,860,950 | 4,685,022 |
| Accounts receivable and accrued income, net | 5 | 156,754 | 164,194 | 161,382 | 84,186 |
| Accrued interest receivables | | 47,735 | 66,233 | 44,113 | 62,479 |
| Margin Funds on derivatives market | 11 | 1,400,106 | 675,021 | - | - |
| Other current assets | 6 | 201,402 | 213,677 | 159,936 | 210,740 |
| Total current assets | | <u>7,378,064</u> | <u>6,449,434</u> | <u>5,328,638</u> | <u>5,128,061</u> |
| Non-current assets | | | | | |
| Investments in subsidiaries and associate | 7 | 160,834 | 151,466 | 644,591 | 644,591 |
| Long-term investments | 8 | 6,795,998 | 6,695,487 | 6,781,998 | 6,649,051 |
| Assets for the clearing system protection of derivatives market | 12 | 562,289 | 341,181 | - | - |
| Securities Investor Protection Fund | 13 | 443,411 | 391,523 | 443,411 | 391,523 |
| Property and equipment, net | 9 | 3,446,913 | 2,995,534 | 3,384,925 | 2,922,568 |
| Intangible assets, net | 10 | 554,815 | 446,091 | 507,855 | 392,222 |
| Other assets | | 7,015 | 9,278 | 6,957 | 8,503 |
| Total non-current assets | | <u>11,971,275</u> | <u>11,030,560</u> | <u>11,769,737</u> | <u>11,008,458</u> |
| Total assets | | <u><u>19,349,339</u></u> | <u><u>17,479,994</u></u> | <u><u>17,098,375</u></u> | <u><u>16,136,519</u></u> |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Balance Sheets
As at 31 December 2007 and 2006

| | | (Unit : Thousand Baht) | | | |
|--------------------------------------|---|------------------------|-------------------|-------------------|-------------------|
| | | Consolidated | | SET | |
| | | | | Restated | |
| Notes | | 2007 | 2006 | 2007 | 2006 |
| Liabilities and fund balances | | | | | |
| Current liabilities | | | | | |
| | Accounts payable and accrued expenses | 735,741 | 417,031 | 605,145 | 265,524 |
| | Fees received in advance | 216,808 | 231,888 | 141,423 | 131,335 |
| | Accrued income tax | 3,495 | 3,217 | - | - |
| 21 | Borrowings from subsidiaries | - | - | 221,850 | 198,430 |
| 11 | Margin deposits and benefits payable | 1,400,106 | 675,021 | - | - |
| | Other current liabilities | 245,609 | 272,094 | 183,898 | 184,526 |
| | Total current liabilities | 2,601,759 | 1,599,251 | 1,152,316 | 779,815 |
| Non-current liabilities | | | | | |
| | Assets for the clearing system protection and benefits payable | 451,933 | 235,198 | - | - |
| 12 | | | | | |
| | Contributions and benefits to the Securities Investor Protection Fund | 107,481 | 69,309 | 107,481 | 69,309 |
| 13 | | | | | |
| | Total non-current liabilities | 559,414 | 304,507 | 107,481 | 69,309 |
| | Total liabilities | 3,161,173 | 1,903,758 | 1,259,797 | 849,124 |
| Fund balances | | | | | |
| | Funds | 14,538,801 | 14,468,528 | 14,190,087 | 14,179,975 |
| | Unrealised gain on available-for-sale securities | 1,649,363 | 1,107,706 | 1,648,491 | 1,107,420 |
| | Minority interest | 2 | 2 | - | - |
| | Total fund balances | 16,188,166 | 15,576,236 | 15,838,578 | 15,287,395 |
| | Total liabilities and fund balances | 19,349,339 | 17,479,994 | 17,098,375 | 16,136,519 |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Statements of Revenues and Expenses
For the years ended 31 December 2007 and 2006

| | | (Unit : Thousand Baht) | | | |
|--|-------|------------------------|------------------|------------------|------------------|
| | | Consolidated | | SET | |
| | | | | Restated | |
| | Notes | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | |
| Trading fees | | 596,063 | 480,428 | 450,582 | 421,767 |
| Registrar fees | | 571,690 | 560,415 | - | - |
| Listing fees | | 235,536 | 228,823 | 235,536 | 228,823 |
| Depository fees | | 133,891 | 110,397 | - | - |
| Membership fees | | 68,650 | 31,434 | 33,664 | 10,139 |
| Service fees from subsidiaries | 21 | - | - | 420,127 | 330,925 |
| Investment income, net | 15 | 1,034,784 | 978,583 | 1,034,091 | 949,241 |
| Share of profit of investments in associate | 7 | 9,368 | 3,936 | - | - |
| Other revenues | 16 | 402,932 | 378,869 | 144,545 | 140,246 |
| Total revenues | | 3,052,914 | 2,772,885 | 2,318,545 | 2,081,141 |
| Expenses | | | | | |
| Staff costs | | 1,145,340 | 1,076,001 | 792,517 | 735,030 |
| Marketing expenses | | 209,542 | 243,682 | 258,466 | 314,816 |
| Service and advertising production costs | | 182,709 | 253,542 | - | - |
| Communication expenses | | 149,086 | 142,262 | 33,512 | 29,077 |
| Office building expenses | 17 | 377,201 | 87,476 | 375,918 | 85,441 |
| Contributions to the Office of the SEC | 18 | 159,347 | 162,687 | 159,347 | 162,687 |
| Contributions to subsidiary | 21 | - | - | 1,920 | 8,081 |
| Depreciation and amortisation | | 285,536 | 252,528 | 247,098 | 222,266 |
| Other expenses | 19 | 399,924 | 390,388 | 406,584 | 472,126 |
| Total expenses | | 2,908,685 | 2,608,566 | 2,275,362 | 2,029,524 |
| Excess of revenues over expenses from operation | | 144,229 | 164,319 | 43,183 | 51,617 |
| Non-operating items | | | | | |
| Net income from the Securities Investor Protection Fund | 14 | 13,377 | 13,523 | 13,377 | 13,523 |
| Donation and social contribution, net | | 49,460 | 400,687 | 46,787 | 397,928 |
| Excess (under) of revenues over expenses before income tax | | 108,146 | (222,845) | 9,773 | (332,788) |
| Income tax | | 38,212 | 39,211 | - | - |
| Excess (under) of revenues over expenses, net | | 69,934 | (262,056) | 9,773 | (332,788) |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Statements of Changes in Fund Balances
For the years ended 31 December 2007 and 2006

(Unit : Thousand Baht)

| | Consolidated | | | | | | | | | | |
|---|----------------------------------|--|----------------|--------------------------------|--------------------|-------------------------------------|---|-------------------|--|-------------------|-------------------|
| | Securities Clearing Reserve Fund | Clearing & Settlement of Derivatives Market Reserve Fund | Indemnity Fund | SET Building Construction Fund | Staff Welfare Fund | Securities Investor Protection Fund | The SET's 30th Anniversary Charity Fund | General Fund | Unrealise gain (loss) on available-for-sale securities | Minority interest | Total |
| Notes | 13.1 | 13.2 | 13.3 | 13.4 | 13.5 | 13.6 | 13.7 | | | | |
| Beginning balance 1 January 2007 | 2,000,000 | 300,000 | 100,000 | 246,328 | 90,290 | 322,214 | 10,061 | 11,399,635 | 1,107,706 | 2 | 15,576,236 |
| Unrealise gain on available-for-sale securities | - | - | - | - | - | 339 | - | - | 541,657 | - | 541,996 |
| <u>Add</u> Excess (under) of revenues over expenses (Note 14) | - | - | - | - | 2,825 | 13,377 | (1,348) | 55,080 | - | - | 69,934 |
| Ending balance 31 December 2007 | <u>2,000,000</u> | <u>300,000</u> | <u>100,000</u> | <u>246,328</u> | <u>93,115</u> | <u>335,930</u> | <u>8,713</u> | <u>11,454,715</u> | <u>1,649,363</u> | <u>2</u> | <u>16,188,166</u> |
| Beginning balance 1 January 2006 | 2,000,000 | 300,000 | 100,000 | 246,328 | 86,800 | 308,691 | 27,890 | 11,660,875 | 1,779,863 | 2 | 16,510,449 |
| Unrealise loss on available-for-sale securities | - | - | - | - | - | - | - | - | (672,157) | - | (672,157) |
| <u>Add</u> Excess (under) of revenues over expenses (Note 14) | - | - | - | - | 3,490 | 13,523 | (17,829) | (261,240) | - | - | (262,056) |
| Ending balance 31 December 2006 | <u>2,000,000</u> | <u>300,000</u> | <u>100,000</u> | <u>246,328</u> | <u>90,290</u> | <u>322,214</u> | <u>10,061</u> | <u>11,399,635</u> | <u>1,107,706</u> | <u>2</u> | <u>15,576,236</u> |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Statements of Changes in Fund Balances
For the years ended 31 December 2007 and 2006

(Unit : Thousand Baht)

| | SET | | | | | | | | | Total |
|--|---------------------------------------|---|---------------------|-------------------------------------|-------------------------|--|--|-------------------|--|-------------------|
| | Securities Clearing Reserve Fund 13.1 | Clearing & Settlement of Derivatives Market Reserve Fund 13.2 | Indemnity Fund 13.3 | SET Building Construction Fund 13.4 | Staff Welfare Fund 13.5 | Securities Investor Protection Fund 13.6 | The SET's 30th Anniversary Charity Fund 13.7 | General Fund | Unrealise gain (loss) on available-for-sale securities | |
| Beginning balance 1 January 2007 before adjustment | 2,000,000 | 300,000 | 100,000 | 246,328 | 90,290 | 322,214 | 10,061 | 11,399,635 | 1,107,420 | 15,575,948 |
| Cumulative effect of the changes in accounting policy (Note 3) | - | - | - | - | - | - | - | (288,553) | - | (288,553) |
| Beginning balance 1 January 2007 after adjustment | 2,000,000 | 300,000 | 100,000 | 246,328 | 90,290 | 322,214 | 10,061 | 11,111,082 | 1,107,420 | 15,287,395 |
| Unrealise gain on available-for-sale securities | - | - | - | - | - | 339 | - | - | 541,071 | 541,410 |
| <u>Add</u> Excess (under) of revenues over expenses (Note 14) | - | - | - | - | 2,825 | 13,377 | (1,348) | (5,081) | - | 9,773 |
| Ending balance 31 December 2007 | 2,000,000 | 300,000 | 100,000 | 246,328 | 93,115 | 335,930 | 8,713 | 11,106,001 | 1,648,491 | 15,838,578 |
| Beginning balance 1 January 2006 before adjustment | 2,000,000 | 300,000 | 100,000 | 246,328 | 86,800 | 308,691 | 27,890 | 11,660,875 | 1,779,983 | 16,510,567 |
| Cumulative effect of the changes in accounting policy (Note 3) | - | - | - | - | - | - | - | (217,821) | - | (217,821) |
| Beginning balance 1 January 2006 after adjustment | 2,000,000 | 300,000 | 100,000 | 246,328 | 86,800 | 308,691 | 27,890 | 11,443,054 | 1,779,983 | 16,292,746 |
| Unrealise loss on available-for-sale securities | - | - | - | - | - | - | - | - | (672,563) | (672,563) |
| <u>Add</u> Excess (under) of revenues over expenses (Note 14) | - | - | - | - | 3,490 | 13,523 | (17,829) | (331,972) | - | (332,788) |
| Ending balance 31 December 2006 | 2,000,000 | 300,000 | 100,000 | 246,328 | 90,290 | 322,214 | 10,061 | 11,111,082 | 1,107,420 | 15,287,395 |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Statements of Cash Flows
For the years ended 31 December 2007 and 2006

| | Notes | (Unit : Thousand Baht) | | | |
|---|-------|------------------------|-------------|-------------|------------------|
| | | Consolidated | | SET | |
| | | 2007 | 2006 | 2007 | Restated 2006 |
| Cash flows from operating activities | | | | | |
| Excess (under) of revenues over expenses, net | | 69,934 | (262,056) | 9,773 | (332,788) |
| Adjustments for: | | | | | |
| Doubtful debts | | (505) | (72) | (457) | (35) |
| Depreciation and amortisation | 9, 10 | 285,536 | 252,528 | 247,098 | 222,266 |
| (Gain) loss on disposals of fixed assets and intangible assets | | (308) | 4,888 | (450) | 4,881 |
| Adjust work in process to expense | | 625 | 426 | 625 | 426 |
| Investment income, net | | (1,048,196) | (992,151) | (1,047,503) | (962,809) |
| Interest expenses from borrowings from subsidiaries | 21 | - | - | 8,721 | 5,554 |
| Share of profit of investments in associate | 7 | (9,368) | (3,936) | - | - |
| (Under) of revenues over expenses before changes in operating assets and liabilities | | (702,282) | (1,000,373) | (782,193) | (1,062,505) |
| (Increase) decrease in operating assets | | | | | |
| Accounts receivable and accrued income | | 7,945 | (43,148) | (76,739) | 22,313 |
| Margin Funds on derivatives market | 11 | (725,085) | (675,021) | - | - |
| Other current assets | | 12,275 | (18,932) | 50,804 | (22,576) |
| Assets for the clearing system protection of derivatives market | 12 | (221,108) | (238,964) | - | - |
| Securities Investor Protection Fund | 13 | (51,888) | (48,136) | (51,888) | (48,136) |
| Other assets | | 2,263 | 1,150 | 1,546 | 1,147 |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable and accrued expenses | | 318,710 | 18,123 | 339,621 | (74,735) |
| Fees received in advance | | (15,080) | 103,511 | 10,088 | 14,523 |
| Accrued income tax | | 278 | 1,578 | - | - |
| Margin deposits and benefits payable | 11 | 725,085 | 675,021 | - | - |
| Other current liabilities | | (26,485) | (8,785) | (628) | (28,964) |
| Assets for the clearing system protection and benefits payable | | 216,735 | 235,198 | - | - |
| Contributions and benefits to the Securities Investor Protection Fund | | 38,172 | 34,613 | 38,172 | 34,613 |
| Net cash (used in) operating activities | | (420,465) | (964,165) | (471,217) | (1,164,320) |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Statements of Cash Flows (Cont'd)
For the years ended 31 December 2007 and 2006

| | | (Unit : Thousand Baht) | | | |
|-------|---|------------------------|-------------|-------------|-------------|
| | | Consolidated | | SET | |
| | | | | Restated | |
| Notes | | 2007 | 2006 | 2007 | 2006 |
| | Net cash (used in) operating activities | (420,465) | (964,165) | (471,217) | (1,164,320) |
| | Cash flows from investing activities | | | | |
| | Cash at banks by M.O.U. | (74,592) | (30,228) | (74,592) | (30,228) |
| | Investment income | 1,106,840 | 950,218 | 1,070,655 | 921,181 |
| | Cash received from investments | 7,655,241 | 11,657,103 | 6,554,190 | 10,280,998 |
| | Purchases of short-term investments | (2,719,316) | (4,520,205) | (1,464,505) | (3,248,735) |
| | Purchases of long-term investments | (14,706) | (71,000) | (12,706) | (71,000) |
| | Purchases of bonds | (2,277,051) | (3,410,842) | (2,277,051) | (3,410,842) |
| | Purchases of debentures | (671,971) | (847,257) | (671,971) | (847,257) |
| | Purchases of investment units in mutual funds | (1,843,717) | (1,140,406) | (1,843,717) | (1,140,406) |
| | Proceeds of borrowings from subsidiaries | - | - | 23,420 | 198,430 |
| | Borrowings payment received from subsidiaries | - | - | - | 5,000 |
| | Interest expenses from borrowings from subsidiaries | 21 | - | (8,721) | (5,554) |
| | Purchases of fixed assets | 9 | (655,865) | (1,615,788) | (640,812) |
| | Purchases of intangible assets | 10 | (191,539) | (148,428) | (185,430) |
| | Proceeds from sales of fixed assets | 1,448 | 678 | 979 | 628 |
| | Benefits from Staff Welfare Fund | 3,366 | 2,949 | 3,366 | 2,949 |
| | Benefits from Securities Investor Protection Fund | 14,735 | 11,573 | 14,735 | 11,573 |
| | Net cash from investing activities | 332,873 | 838,367 | 487,840 | 956,336 |
| | Net increase (decrease) in cash and cash equivalents | (87,592) | (125,798) | 16,623 | (207,984) |
| | Cash and cash equivalents at the beginning of the year | 347,912 | 473,710 | 85,634 | 293,618 |
| | Cash and cash equivalents at the end of the year | 260,320 | 347,912 | 102,257 | 85,634 |
| | Supplementary information for cash flows: | | | | |
| | Cash paid during the year | | | | |
| | Income tax paid | 43,988 | 41,567 | - | - |
| | Interest expenses | 22,935 | 2,967 | 8,721 | 5,554 |

The accompanying notes on pages 9 to 42 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Notes to the Consolidated Financial Statements and SET's Financial Statements
For the years ended 31 December 2007 and 2006

1. General information

The Stock Exchange of Thailand (SET) is a juristic entity incorporated under the Securities Exchange of Thailand Act B.E. 2517. The principal objective is to be the market or the center for purchases and sales of securities and to provide related services, which have no objective on profit distribution to members. SET commenced trading securities on 30 April 1975. At the present, SET operates under the Securities and Exchange Act B.E. 2535. The address of The Stock Exchange of Thailand is as follows:

62 Rachadaphisek Road, Klongtoey, Bangkok 10110.

The principal business operations of SET and its subsidiaries are summarised as follows:

1. Securities listing;
2. Provide listed securities trading system;
3. Provide and disseminate data and knowledge to investors;
4. Supervise and monitor securities trading activities, listed companies and member companies;
5. Provide post trade services for trading of securities and futures, including being a clearing house, providing services of clearing and settlement, shares depository and back office service bureau;
6. Provide registrar services including shares registrar and fund registrar;
7. Manage and advise on the Exchange of futures and other financial securities. Provide other services related to futures trading transactions;
8. Provide services related to computer systems, information technology and other communication network systems for trading of securities, payment and delivery of securities;
9. Provide production and advisory services on media and advertisement production through medias in order to disseminate finance and investment knowledge to public;
10. Manage open-ended mutual funds to promote foreign investment in The Stock Exchange of Thailand;
11. Engage in the business of investment management by issuing the Non - Voting Depository Receipt (NVDR) and the Depository Receipt (DR) to investors as prescribed by the Office of the Securities and Exchange Commission (SEC) and invest the proceeds from the issuance of such instruments in shares of listed companies or public companies which are approved by the SEC to offer to the public, or other securities as prescribed by SEC.

As at 31 December 2007, The Stock Exchange of Thailand and its subsidiaries employed 963 employees (2006: 950 employees).

These consolidated and SET's financial statements have been authorised for issue by the Board of Governors on 27 February 2008.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated and SET's financial statements are set out below:

2.1 Basis of preparation

The consolidated and SET's financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and SET's financial statements have been prepared under the historical cost convention, except for certain items, investments in available-for-sale and trading securities which are presented at fair value.

The preparation of consolidated and SET's financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated and SET's financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the Thai Accounting Standard, TAS 44, Consolidated and Separate Financial Statements (Revised 2007) and TAS 45, Investments in Associates (Revised 2007), which SET adopted in 1 January 2007.

An English version of consolidated and SET's financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

2.2 Amendment to accounting standards effective in 2007 and 2008

On 2 May 2007, 21 September 2007 and 7 December 2007 the Federation of Accounting Professions announced:

: Amendments to Thai Accounting Standards effective for accounting periods beginning on or after 1 January 2007 as follows:

TAS No. 44 "Consolidated and Separate Financial Statements" (Revised 2007)

TAS No. 45 "Investments in Associates" (Revised 2007)

TAS No. 46 "Interests in Joint Ventures" (Revised 2007)

Amendments to Thai Accounting Standards have no impact on the consolidated financial statements. The impact on SET's financial statements is discussed in Note 3.

2. Accounting policies (Cont'd)

2.2 Amendment to accounting standards effective in 2007 and 2008 (Cont'd)

: The adoption of new Thai Accounting Standard and amendments to Thai Accounting Standards effective for accounting periods beginning on or after 1 January 2008 as follows:

TAS No. 25 "Cash Flow Statements" (Revised 2007)

TAS No. 29 "Leases" (Revised 2007)

TAS No. 31 "Inventories" (Revised 2007)

TAS No. 33 "Borrowing Costs" (Revised 2007)

TAS No. 35 "Presentation of Financial Statements" (Revised 2007)

TAS No. 39 "Accounting Policies, Changes in Accounting Estimates and Errors"
(Revised 2007)

TAS No. 41 "Interim Financial Reporting" (Revised 2007)

TAS No. 43 "Business Combinations" (Revised 2007)

TAS No. 49 "Construction Contracts" (Revised 2007)

TAS No. 51 "Intangible Assets"

SET management is in process of consideration the impact of new standard and the revised standards adoption on the financial statements, which is expected that the adoption will not significantly affect the financial statements presented.

2.3 Consolidated financial statements

Subsidiaries are all entities over which SET has power to govern the financial and operating policies, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to SET and are no longer consolidated from the date that control ceases. All related party transactions, balances and unrealised gain and loss on transactions between SET and its subsidiaries have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by SET.

A list of SET's principal subsidiaries and associate and the financial effect from share of net profit are shown in Note 7.

2.4 Investments in subsidiaries and associate

Investments in subsidiaries are accounted for in SET's financial statements by the cost method. These are undertakings over which SET exercises control. Allowance, if any, is recorded for impairment in investment value in the statement of revenue and expenses.

Investment in associate is accounted for by the cost method. This is undertaking over which SET exercises significant influence, but which it does not control. Allowance, if any, is recorded for impairment in investment value in the statement of revenue and expenses.

2. Accounting policies (Cont'd)

2.5 Foreign currency translation

Items included in the consolidated and SET's financial statements are measured using Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currency, are recognised in the statement of revenues and expenses.

2.6 Accounting policy of underlying assets and non-voting depository receipts (NVDRs)

Underlying assets is the financial assets carried by Thai NVDR Co., Ltd., (subsidiary). Non-Voting Depository Receipts (NVDRs) is the financial liabilities. The subsidiary will offset between financial assets and financial liabilities, and shown the net amount in the financial statements. The prospectus had regulation and condition that the subsidiary is responsible for issuing and selling NVDRs of listed company in The Stock Exchange of Thailand at the same amount and period (back to back). Moreover, the subsidiary who is the holder will receive the financial benefits and payment to the investors in NVDRs as follows the prospectus. Those benefits are not recognised in subsidiary's income.

2.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, cash at banks and promissory notes at financial institutions held for working capital and short-term commitment payment purposes with original maturities of three months or less.

2.8 Accounts receivable and accrued income

Accounts receivable and accrued income are carried at anticipated net realisable value. An estimate of allowance for doubtful accounts is made based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified and recognised in the statement of revenues and expenses within other expenses.

2.9 Investments

Debt securities and marketable equity securities classified as available-for-sale securities are carried at fair value. Fair value of debt securities is calculated by reference to risk-free yield curve adjusted by appropriate risk premium. Fair value of marketable equity securities is calculated by reference to The Stock Exchange of Thailand quoted bid prices at the close of business on the balance sheet date. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale securities are recognised in fund balance.

2. Accounting policies (Cont'd)

2.9 Investments (cont'd)

Debt securities and marketable equity securities classified as trading securities are carried at fair value. Fair value of debt securities is calculated by reference to risk-free yield curve adjusted by appropriate risk premium. Fair value of marketable equity securities is calculated by reference to The Stock Exchange of Thailand quoted bid prices at the close of business on the balance sheet date. Realised and unrealised gains and losses arising from changes in the fair value of investments classified as trading securities are recognised in the statement of revenues and expenses.

Investments in debt securities classified as held-to-maturity securities are carried at amortised cost using effective yield method.

Investments in matching funds and specific mutual funds established under specific purposes which have policy to invest in marketable equity securities and other equity instruments, are classified as general investments and are carried at cost less impairment.

Investments in non-marketable equity securities classified as general investments are carried at cost less impairment.

Investments in fixed deposit, promissory notes at financial institutions and negotiable certificates of deposit are classified as general investments and stated in balance sheet at cost less impairment.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of revenues and expenses.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the statement of revenues and expenses.

When disposing part of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined from the weighted average carrying amount of the total holdings of the investments.

2.10 Property and equipment

Land is stated at cost. All other property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight line basis to write off the cost of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

| | |
|------------------------|----------|
| Buildings | 30 years |
| Building improvements | 10 years |
| Furniture and fixtures | 5 years |
| Office equipment | 5 years |
| Motor vehicles | 5 years |
| Computers | 5 years |

2. Accounting policies (Cont'd)

2.10 Property and equipment (Cont'd)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are charged to the statement of revenues and expenses during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to SET and its subsidiaries. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in statement of revenues and expenses.

2.11 Intangible assets

2.11.1 Computer software

Costs associated with developing or maintaining computer software programs are recognised as expenses in the statement of revenues and expenses as incurred. Costs that are directly associated with identifiable and unique software products controlled by SET or its subsidiaries and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct cost includes purchase price and an appropriate portion of relevant overheads to allow such asset to be ready for its intended use.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as intangible assets. Computer software development costs recognised as assets are amortised using the straight line method over their useful life, generally over 5 years.

2.11.2 Patent and operating rights

Patent represents the expenditure on acquired patent for media publications (including related identifiable trademarks). Operating rights represent the expenditure on acquiring of the rights to use systems including copyrights, patents and trademarks and other related rights, i.e bond trading system. Both patent and operating rights are controlled by SET or its subsidiaries and are expected to generate economic benefits more than one year. They are recognised as intangible assets and amortised using the straight line method over their expected useful life, generally over 10 years.

Patent and operating rights are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount of the assets exceeds its recoverable amount.

2. Accounting policies (Cont'd)

2.12 Accounting for leases - where the entity is the lessee

Leases not transferring a significant portion of risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statement of revenues and expenses on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13 Revenue recognition

Service revenues are recognised upon performance of services. For consolidated financial statements, related party service charges between SET and its subsidiaries are eliminated.

Where there are long outstanding receivables from listing fees and registrar fees collection more than 3 months, SET and its subsidiaries consider the collectibility of the receivables as doubtful and ceases revenue recognition from fees of related companies immediately.

Membership fees comprise of initial fees and annual fees. The initial fees are recognised as revenues on the straight line basis of 5 years starting from the first day of service rendered and annual fees are recognised upon performance of services.

Investment income and other revenues are recognised on the following basis:

- i) Interest income - on a time proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to SET and its subsidiaries.
- ii) Dividend income - when the shareholder's right to receive payment is established.
- iii) Other revenues - when right to receive payment is established.

2.14 Employee benefits

SET and its subsidiaries operate a provident fund that is a defined contribution plan. The assets of which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by SET and its subsidiaries. SET and subsidiaries' contributions to the provident fund are charged to expenses in the statement of revenues and expenses in the year to which they relate.

2.15 Provision

Provisions, which exclude the provisions relating to employee benefits, are recognised when SET and subsidiaries have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where SET and subsidiaries expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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2. Accounting policies (Cont'd)

2.15 Provision (Cont'd)

Provisions are recognised in the period in which SET and subsidiaries becomes legally or constructively committed to payment. Costs relating to the ongoing activities of SET and subsidiaries are not recorded as provision in advance.

2.16 Directors' remuneration

Directors' remuneration comprises of the benefits paid to the Board of Governors and the Board of Directors of subsidiaries including benefits be received as the members of sub-committees (not included salaries, bonus and related benefits payable to management).

3. Changes in accounting policy for Thai Accounting Standard (TAS) 44 and 45 (Revised 2007)

The amendments relating to TAS No. 44 "Consolidated and Separate Financial Statements" and TAS No. 45 "Investments in Associates" is effective for the period beginning on or after 1 January 2007. Such amendments to accounting standards No. 44 and 45 require a change from the equity method to the cost method for investments in subsidiaries and associates presented in the financial statements. Under the cost method, income from investments will be recorded when dividends are declared. This change has an impact to SET's financial statements only and will not have an impact to the consolidated financial statements.

SET has adopted the cost method commencing 1 January 2007 by applying retrospective adjustments. The effects of the changes to SET's balance sheets as of 31 December 2006 and SET's statements of revenues and expenses for the year ended 31 December 2006 are as follows:

| | (Unit : Thousand Baht) | | |
|--|---|------------------------|----------------------------------|
| | SET | | |
| | As previously reported (Audited) | Increase (Decrease) | After adjustment (Audited) |
| Balance sheets as at December 2006 | | | |
| Investments in subsidiaries and associate | | | |
| Subsidiaries | | | |
| Thailand Securities Depository Co., Ltd. | 388,811 | (188,811) | 200,000 |
| SETTRADE.COM Co., Ltd. | 109,639 | (35,048) | 74,591 |
| Family Know-how Co., Ltd. | 61,048 | (11,048) | 50,000 |
| Thailand Futures Exchange Public Co., Ltd. | 89,530 | 10,470 | 100,000 |
| Thai Trust Fund Management Co., Ltd. | 109,734 | (9,734) | 100,000 |
| Thai NVDR Co., Ltd. | 12,246 | (2,246) | 10,000 |
| Siam DR Co., Ltd. | 10,670 | (670) | 10,000 |
| Associate | | | |
| Clearing Fund | 151,466 | (51,466) | 100,000 |
| | <u>933,144</u> | <u>(288,553)</u> | <u>644,591</u> |
| Statements of revenues and expenses for the year ended 31 December 2006 | | | |
| (Under) of revenues over expenses, net | <u>(262,056)</u> | <u>(70,732)</u> | <u>(332,788)</u> |

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4. Short-term investments

| | (Unit : Thousand Baht) | | | |
|--|------------------------|------------------|------------------|------------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Investments managed by SET | | | | |
| General investments | | | | |
| Savings accounts | 255,389 | 185,875 | 255,388 | 183,498 |
| Fixed deposit accounts | 443,995 | 929,650 | 267,186 | 798,633 |
| Promissory notes | 50,000 | 86,852 | 50,000 | 61,539 |
| Bills of exchange | 50,000 | - | 50,000 | - |
| | 799,384 | 1,202,377 | 622,574 | 1,043,670 |
| Investments in money market funds | 468,007 | 405,223 | 457,843 | 405,223 |
| Bonds and debentures due within one year (Note 8) | 605,223 | 307,197 | 547,483 | 294,043 |
| Other debt instruments | 809,454 | 578,800 | 720,323 | 559,324 |
| Total investments managed by SET | 2,682,068 | 2,493,597 | 2,348,223 | 2,302,260 |
| Investments managed by private funds | | | | |
| General investments | | | | |
| Savings accounts | 22,133 | 24,813 | 21,891 | 22,676 |
| Fixed deposit accounts | 17,000 | 122,500 | 15,500 | 122,500 |
| Other debt instruments | 660,204 | 752,746 | 627,480 | 720,560 |
| | 699,337 | 900,059 | 664,871 | 865,736 |
| Trading securities | 1,930,342 | 1,588,741 | 1,847,856 | 1,517,026 |
| Total investments managed by private funds | 2,629,679 | 2,488,800 | 2,512,727 | 2,382,762 |
| Total short-term investments | 5,311,747 | 4,982,397 | 4,860,950 | 4,685,022 |

Investments managed by SET

Savings accounts bear interest rate of 0.50% - 2.50% per annum (2006: 0.75% - 2.75% per annum).

Fixed deposit accounts represent fixed deposit at banks which have maturity within 3 - 12 months and interest rates of 2.25% - 5.50% per annum (2006: 1.50% - 5.50% per annum).

Promissory notes represent the promissory notes at financial institutions which have maturity within 3 - 12 months and interest rates of 5.50% per annum (2006: 3.50% - 5.55% per annum).

Bills of exchange at financial institutions due within one year and interest rates of 1.18% - 2.05% per annum.

Investments in money market funds represent investments in 4 open-ended fund (2006: 1 fund). The investment policy emphasizes the investments in short-term debt securities.

Bonds and debentures due within one year represent government bonds, state enterprise, Bank of Thailand bonds, foreign financial institution bonds and debentures which have yields of 3.04% - 4.38% per annum (2006: 4.90% - 5.44% per annum). The aggregated market value as at 31 December 2007 was Baht 607 million (2006: Baht 305 million).

Other debt instruments represent treasury bills and debentures (Zero coupon) which have yields of 2.75% - 4.14% per annum (2006: 4.78% - 4.97% per annum). The aggregated market value as at 31 December 2007 was Baht 809 million (2006: Baht 579 million).

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4. Short-term investments (Cont'd)

Investments managed by private funds

Investments in private funds are managed by three asset management companies. The investment policy of private funds is subject to SET's regulations: deposits at financial institutions, and investments policy as described in Note 23 - Financial instruments. The investments in private funds are presented under short-term investments. In 2007, the rates of return on private funds are 4.32% - 10.40% per annum (2006: 2.62% - 5.12% per annum).

5. Accounts receivable and accrued income, net

| | (Unit : Thousand Baht) | | | |
|--|------------------------|----------------|----------------|---------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Accounts receivable | 55,966 | 66,179 | 22,781 | 17,202 |
| <u>Less</u> Allowances for doubtful accounts | (19,652) | (20,157) | (9,027) | (9,484) |
| | 36,314 | 46,022 | 13,754 | 7,718 |
| <u>Add</u> Accrued income | 120,440 | 118,172 | 147,628 | 76,468 |
| | <u>156,754</u> | <u>164,194</u> | <u>161,382</u> | <u>84,186</u> |

Outstanding accounts receivable can be analysed as follows:

| | (Unit : Thousand Baht) | | | |
|---|------------------------|---------------|---------------|--------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Less than 3 months | 35,392 | 44,913 | 13,751 | 7,718 |
| 3 - 6 months | 859 | 804 | 3 | 5 |
| 6 - 12 months | - | 281 | - | - |
| Over 12 months | 19,715 | 20,181 | 9,027 | 9,479 |
| | 55,966 | 66,179 | 22,781 | 17,202 |
| <u>Less</u> Allowance for doubtful accounts | (19,652) | (20,157) | (9,027) | (9,484) |
| | <u>36,314</u> | <u>46,022</u> | <u>13,754</u> | <u>7,718</u> |

As at 31 December 2007, SET ceased for revenue recognition of 6 accounts receivable with the overdue listing fees of Baht 5.90 million and Thailand Securities Depository Co., Ltd., a subsidiary, ceased for revenue recognition of 4 accounts receivable with the overdue registrar fees of Baht 7.12 million. These receivables were not included in the above outstanding accounts receivable.

SET has no significant concentrations of credit risks other than receivables from related accounts receivable, which represents 18% of total accounts receivable in SET's financial statements. SET's management believe that the amount of allowance for doubtful accounts provided for is sufficient to deal with existing credit risks.

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6. Other current assets

| | (Unit : Thousand Baht) | | | |
|--|------------------------|----------------|----------------|----------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Cash guarantee under the lease obligation (Note 22) | 68,946 | 68,946 | 68,946 | 68,946 |
| Prepaid expenses | 40,731 | 59,844 | 46,667 | 80,875 |
| Loans to employees | 28,857 | 30,231 | 19,061 | 20,068 |
| Cash collateral for clearing and settlement and dividend payable to holders | 21,387 | 4,735 | - | - |
| VAT receivable | 18,701 | 31,171 | 17,170 | 30,855 |
| Restricted cash at bank (Note 20.1) | 4,618 | 1,990 | - | - |
| Others | 18,162 | 16,760 | 8,092 | 9,996 |
| | <u>201,402</u> | <u>213,677</u> | <u>159,936</u> | <u>210,740</u> |

7. Investments in subsidiaries and associate

| | (Unit : Thousand Baht) | | | |
|--------------------------------|------------------------|----------------|----------------|------------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | Restated 2006 |
| Opening net book amount | 151,466 | 147,530 | 644,591 | 644,591 |
| <u>Add</u> Share of net profit | 9,368 | 3,936 | - | - |
| Closing net book amount | <u>160,834</u> | <u>151,466</u> | <u>644,591</u> | <u>644,591</u> |

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7. Investments in subsidiaries and associate (Cont'd)

The principal subsidiaries and associate are:

i) Subsidiaries directly held by SET

| | Business | Country of incorporation | % Ownership interest | |
|--|---|---------------------------------|-----------------------------|-------------|
| | | | 2007 | 2006 |
| Thailand Securities Depository Co., Ltd. | Post-trading clearing and settlement services | Thailand | 99.99 | 99.99 |
| SETTRADE.COM Co., Ltd. | Computer system services | Thailand | 99.99 | 99.99 |
| Family Know-how Co., Ltd. | Provision of advisory services and edutainment production and services on finance and investment knowledge through medias | Thailand | 99.99 | 99.99 |
| Thailand Futures Exchange Public Co., Ltd. | Futures exchange center | Thailand | 99.99 | 99.99 |
| Thai Trust Fund Management Co., Ltd. | Mutual fund management | Thailand | 99.99 | 99.99 |
| Thai NVDR Co., Ltd. | Investment in Non-Voting Depository Receipt (NVDR) management | Thailand | 99.99 | 99.99 |
| Siam DR Co., Ltd. | Investment in Depository Receipt (DR) management | Thailand | 99.99 | 99.99 |

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7. Investments in subsidiaries and associate (Cont'd)

ii) Indirect subsidiary (investments held by Thailand Securities Depository Co., Ltd.)

| | Business | Country of incorporation | % Ownership interest | |
|-----------------------------------|---|---------------------------------|-----------------------------|-------------|
| | | | 2007 | 2006 |
| Thailand Clearing House Co., Ltd. | Clearing house and related services for futures | Thailand | 99.99 | 99.99 |

iii) Associate

| | Business | Country of incorporation | % Ownership interest | |
|---------------|-----------------|---------------------------------|-----------------------------|-------------|
| | | | 2007 | 2006 |
| Clearing Fund | Fund | Thailand | 23.26 | 25.94 |

SET has no control over Clearing Fund. Clearing Fund has been operated under the Regulations of the Clearing Fund (No. 1) B.E. 2541 (1998) which require a one-time payment of Baht 100 million as an initial contribution from SET. The percentage of ownership interest will be reduced according to further contributions made from other members of Clearing Fund. Therefore, the investment in Clearing Fund is classified as investment in associate.

Details of investments are as follows:

| | (Unit : Thousand Baht) | | | | | | | |
|--|-------------------------------|-------------|-----------------------------|----------------------|--------------------|-------------|----------------------|-------------|
| | Consolidated | | | | | | | |
| | Paid-up capital | | % Ownership interest | | Cost method | | Equity method | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Clearing Fund | 651,068 | 568,771 | 23.26 | 25.94 | 100,000 | 100,000 | 160,834 | 151,466 |
| | (Unit : Thousand Baht) | | | | | | | |
| | SET | | | | | | | |
| | % Ownership interest | | Book value at Cost | | Dividends | | | |
| | 2007 | 2006 | 2007 | Restated 2006 | 2007 | 2006 | | |
| Subsidiaries | 99.99 | 99.99 | 200,000 | 200,000 | 40,000 | - | | |
| Thailand Securities Depository Co., Ltd. | | | | | | | | |
| SETTRADE.COM Co., Ltd. | 99.99 | 99.99 | 74,591 | 74,591 | - | - | | |
| Family Know-how Co., Ltd. | 99.99 | 99.99 | 50,000 | 50,000 | - | - | | |
| Thailand Futures Exchange Public Co., Ltd. | 99.99 | 99.99 | 100,000 | 100,000 | - | - | | |
| Thai Trust Fund Management Co., Ltd. | 99.99 | 99.99 | 100,000 | 100,000 | 2,000 | - | | |
| Thai NVDR Co., Ltd. | 99.99 | 99.99 | 10,000 | 10,000 | - | - | | |
| Siam DR Co., Ltd. | 99.99 | 99.99 | 10,000 | 10,000 | - | - | | |
| Associate | | | | | | | | |
| Clearing Fund | 23.26 | 25.94 | 100,000 | 100,000 | - | - | | |
| | | | <u>644,591</u> | <u>644,591</u> | <u>42,000</u> | <u>-</u> | | |

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8. Long-term investments

| | (Unit : Thousand Baht) | | | |
|--|------------------------|------------------|------------------|------------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Opening net book amount | 6,695,487 | 7,719,282 | 6,649,051 | 7,641,591 |
| Disposals | (441,146) | (351,638) | (408,124) | (319,977) |
| Unrealised gain (loss) on available-for-sale securities | 541,657 | (672,157) | 541,071 | (672,563) |
| Closing net book amount | <u>6,795,998</u> | <u>6,695,487</u> | <u>6,781,998</u> | <u>6,649,051</u> |

As at 31 December 2007, long-term investments are as follows:

| | (Unit : Thousand Baht) | | | |
|--------------------------------------|------------------------|---------------------|------------------------|------------------|
| | Consolidated | | | |
| | Available for sale | Held to maturity | General investments | Total |
| Fixed deposit accounts | - | - | 4,000 | 4,000 |
| Other debt instruments | - | - | 30,000 | 30,000 |
| Cash at banks by M.O.U. | - | - | 339,906 | 339,906 |
| Investment in specific-purpose funds | - | - | 185,378 | 185,378 |
| Equity securities | - | - | 62,336 | 62,336 |
| Investments in mutual funds | | | | |
| General mutual funds | 4,634,634 | - | - | 4,634,634 |
| Foreign investment funds | 501,424 | - | - | 501,424 |
| Property funds | 276,913 | - | - | 276,913 |
| Bonds and debentures | - | 761,407 | - | 761,407 |
| | <u>5,412,971</u> | <u>761,407</u> | <u>621,620</u> | <u>6,795,998</u> |

| | (Unit : Thousand Baht) | | | |
|--------------------------------------|------------------------|---------------------|------------------------|------------------|
| | SET | | | |
| | Available for sale | Held to maturity | General investments | Total |
| Fixed deposit accounts | - | - | - | - |
| Other debt instruments | - | - | 30,000 | 30,000 |
| Cash at banks by M.O.U. | - | - | 339,906 | 339,906 |
| Investment in specific-purpose funds | - | - | 185,378 | 185,378 |
| Equity securities | - | - | 62,336 | 62,336 |
| Investments in mutual funds | | | | |
| General mutual funds | 4,634,634 | - | - | 4,634,634 |
| Foreign investment funds | 501,424 | - | - | 501,424 |
| Property funds | 276,913 | - | - | 276,913 |
| Bonds and debentures | - | 751,407 | - | 751,407 |
| | <u>5,412,971</u> | <u>751,407</u> | <u>617,620</u> | <u>6,781,998</u> |

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8. Long-term investments (Cont'd)

As at 31 December 2006, long-term investments are as follows:

| | (Unit : Thousand Baht) | | | Total |
|--------------------------------------|------------------------|---------------------|------------------------|------------------|
| | Consolidated | | | |
| | Available for sale | Held to maturity | General investments | |
| Fixed deposit accounts | - | - | 21,000 | 21,000 |
| Other debt instruments | - | - | 130,000 | 130,000 |
| Cash at banks by M.O.U. | - | - | 265,314 | 265,314 |
| Investment in specific-purpose funds | - | - | 200,000 | 200,000 |
| Equity securities | - | - | 62,336 | 62,336 |
| Investments in mutual funds | | | | |
| General mutual funds | 4,253,237 | - | - | 4,253,237 |
| Foreign investment funds | 303,820 | - | - | 303,820 |
| Money market funds | 19,870 | - | - | 19,870 |
| Property funds | 221,424 | - | - | 221,424 |
| Bonds and debentures | - | 1,218,486 | - | 1,218,486 |
| | <u>4,798,351</u> | <u>1,218,486</u> | <u>678,650</u> | <u>6,695,487</u> |

| | (Unit : Thousand Baht) | | | Total |
|--------------------------------------|------------------------|---------------------|------------------------|------------------|
| | SET | | | |
| | Available for sale | Held to maturity | General investments | |
| Fixed deposit accounts | - | - | 15,000 | 15,000 |
| Other debt instruments | - | - | 130,000 | 130,000 |
| Cash at banks by M.O.U. | - | - | 265,314 | 265,314 |
| Investment in specific-purpose funds | - | - | 200,000 | 200,000 |
| Equity securities | - | - | 62,336 | 62,336 |
| Investments in mutual funds | | | | |
| General mutual funds | 4,253,237 | - | - | 4,253,237 |
| Foreign investment funds | 303,820 | - | - | 303,820 |
| Money market funds | 9,935 | - | - | 9,935 |
| Property funds | 221,424 | - | - | 221,424 |
| Bonds and debentures | - | 1,187,985 | - | 1,187,985 |
| | <u>4,788,416</u> | <u>1,187,985</u> | <u>672,650</u> | <u>6,649,051</u> |

Fixed deposit accounts represent fixed deposit at banks which have maturity over 1 year and interest rates of 4.50% - 4.88% per annum (2006: 5.25% - 5.50% per annum).

Other debt instruments represent promissory notes and bills of exchange issued by financial institution which have maturity within 6 years and interest rates of 5.50% per annum (2006: 5.50% per annum).

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8. Long-term investments (Cont'd)

Cash at banks by M.O.U. is used as security for housing loans to employees of SET and its subsidiaries by a bank under a Memorandum of Understanding.

Investment in specific-purpose fund represents investment in 2 open-ended venture capital funds (2006: 1 fund) This investment is carried at cost under generally accepted accounting principles due to the redemption restriction during the first 5 years. Detail are as follows:

1. In 2005, fund established by the government to strengthen and recover the businesses that are suffered from the Tsunami disaster. The specific-purpose fund has a policy to invest in securities of businesses involved in the tourism industry and have been affected by the Tsunami in the six southern provinces. The fund has automatic redemption since the sixth year (2011) unless there is an approval from the investment committee to be redeemed before the redemption restriction term.
2. In 2007, non-retail fund which mainly invests directly in energy, alternative and renewable energy firms and businesses that support the government's policies on energy. The fund has automatic redemption since the sixth year (2013) when the fund dispose its assets and no further re-investment.

The fair value and unrealised gain (loss) from investments in specific-purpose fund are as follows:

| | | (Unit : Thousand Baht) | | | | | | |
|---------------------------------------|------|------------------------|---------|------------|---------|------------------------|-------|-------|
| | | Consolidated and SET | | | | | | |
| Funds | | Cost | | Fair value | | Unrealised gain (loss) | | |
| 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | |
| Investment in specific - purpose fund | 2 | 1 | 185,378 | 200,000 | 185,105 | 204,399 | (273) | 4,399 |

Equity securities comprise:

| | | (Unit : Thousand Baht) | | | | |
|-------------------------------------|--|------------------------|----------------------|-------|----------------------|--------|
| | | Paid-up capital | % Ownership interest | | Consolidated and SET | |
| | | | 2007 | 2006 | 2007 | 2006 |
| Equity securities (other companies) | | | | | | |
| | Thai Rating & Information Service Ltd. | 100,000 | 13.34 | 13.34 | 12,336 | 12,336 |
| | TSFC Securities Limited | 1,000,000 | 5.00 | 5.00 | 50,000 | 50,000 |
| | | | | | 62,336 | 62,336 |

Investments in mutual funds represent investments in 32 open-ended equity funds (2006: 32 funds), which have the policy to emphasize the investments in equity securities of listed companies.

Investments in foreign investment funds represent investments in 11 open-ended funds (2006: 8 funds), which the Feeder Fund has the policy to emphasize the investments in foreign equity securities.

Investments in money market fund represent investments in one open-ended fund which has investment period of 3 years. The fund has a policy to emphasize the investments in debt securities and/or the other financial securities of both government and private entities where there are stability and a good return. The automatic redemption of the investment units is twice a year.

Investments in property funds represent 8 closed-end mutual funds (2006: 6 funds). Those funds are established for acquiring, leasing and transferring of properties and/or their leasehold right and providing for income-generating properties. All those 6 property funds' units are listed and traded in The Stock Exchange of Thailand.

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8. Long-term investments (Cont'd)

Bonds and debentures represent government bonds, state enterprise bonds, Bank of Thailand bonds, Foreign financial institution bonds and debentures which have maturity within 2 - 10 years, coupon rates of 3.87% - 6.30% per annum (2006: 2.43% - 6.30% per annum) and yields of 3.45% - 4.91% per annum (2006: 4.94% - 5.78% per annum). The aggregated market value at 31 December 2007 was Baht 808 million (2006: Baht 1,246 million).

The fair value and unrealised gain (loss) from investments in bonds and debentures are as follows:

| | (Unit : Thousand Baht) | | | | | |
|--------------------------------------|------------------------|------------------|------------------|------------------|------------------------|---------------|
| | Consolidated | | | | | |
| | Amortised cost - net | | Fair value | | Unrealised gain (loss) | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Government bonds | 686,407 | 829,357 | 732,227 | 857,832 | 45,820 | 28,475 |
| State enterprise bonds | 99,722 | 98,227 | 100,559 | 98,425 | 837 | 198 |
| Bank of Thailand bonds | 345,833 | 300,098 | 346,862 | 300,931 | 1,029 | 833 |
| Foreign financial institution bonds | 40,000 | 40,000 | 39,482 | 38,161 | (518) | (1,839) |
| Debentures | 194,668 | 258,001 | 195,566 | 255,527 | 898 | (2,474) |
| <u>Less</u> Current portion (Note 4) | <u>(605,223)</u> | <u>(307,197)</u> | <u>(607,145)</u> | <u>(305,248)</u> | <u>(1,922)</u> | <u>1,949</u> |
| | <u>761,407</u> | <u>1,218,486</u> | <u>807,551</u> | <u>1,245,628</u> | <u>46,144</u> | <u>27,142</u> |
| | (Unit : Thousand Baht) | | | | | |
| | SET | | | | | |
| | Amortised cost - net | | Fair value | | Unrealised gain (loss) | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Government bonds | 686,407 | 817,203 | 732,227 | 845,793 | 45,820 | 28,590 |
| State enterprise bonds | 99,722 | 98,227 | 100,559 | 98,425 | 837 | 198 |
| Bank of Thailand bonds | 308,593 | 300,098 | 309,597 | 300,931 | 1,004 | 833 |
| Foreign financial institution bonds | 30,000 | 30,000 | 29,611 | 28,621 | (389) | (1,379) |
| Debentures | 174,168 | 236,500 | 175,060 | 234,492 | 892 | (2,008) |
| <u>Less</u> Current portion (Note 4) | <u>(547,483)</u> | <u>(294,043)</u> | <u>(549,374)</u> | <u>(292,224)</u> | <u>(1,891)</u> | <u>1,819</u> |
| | <u>751,407</u> | <u>1,187,985</u> | <u>797,680</u> | <u>1,216,038</u> | <u>46,273</u> | <u>28,053</u> |

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9. Property and equipment, net

(Unit : Thousand Baht)

| | Consolidated | | | | | Total |
|--------------------------------------|--------------------------|-----------------|-----------------------------------|---------------------------------------|----------------|------------------|
| | Land & land improvements | Work in process | Buildings & building improvements | Furniture fixtures & office equipment | Motor vehicles | |
| As at 31 December 2006 | | | | | | |
| Cost | 1,536,706 | 2,052 | 1,264,839 | 1,521,888 | 15,994 | 4,341,479 |
| <u>Less</u> Accumulated depreciation | - | - | (243,983) | (1,098,156) | (3,806) | (1,345,945) |
| Net book amount | <u>1,536,706</u> | <u>2,052</u> | <u>1,020,856</u> | <u>423,732</u> | <u>12,188</u> | <u>2,995,534</u> |
| Year ended 31 December 2007 | | | | | | |
| Opening net book amount | 1,536,706 | 2,052 | 1,020,856 | 423,732 | 12,188 | 2,995,534 |
| Additions | 450,319 | 9 | 47,251 | 157,901 | 385 | 655,865 |
| Adjustments | - | 17,748 | 1,342 | (19,715) | - | (625) |
| Disposals | - | - | - | (755) | (385) | (1,140) |
| Depreciation charge | (55) | - | (58,057) | (141,409) | (3,200) | (202,721) |
| Closing net book amount | <u>1,986,970</u> | <u>19,809</u> | <u>1,011,392</u> | <u>419,754</u> | <u>8,988</u> | <u>3,446,913</u> |
| As at 31 December 2007 | | | | | | |
| Cost | 1,987,025 | 19,809 | 1,313,432 | 1,651,305 | 15,994 | 4,987,565 |
| <u>Less</u> Accumulated depreciation | (55) | - | (302,040) | (1,231,551) | (7,006) | (1,540,652) |
| Net book amount | <u>1,986,970</u> | <u>19,809</u> | <u>1,011,392</u> | <u>419,754</u> | <u>8,988</u> | <u>3,446,913</u> |

At 31 December 2007, the gross carrying amount of fully depreciated property and equipment of SET and its subsidiaries that are still in use amounting to Baht 675.02 million (2006: Baht 614.13 million).

(Unit : Thousand Baht)

| | SET | | | | | Total |
|--------------------------------------|--------------------------|-----------------|-----------------------------------|---------------------------------------|----------------|------------------|
| | Land & land improvements | Work in process | Buildings & building improvements | Furniture fixtures & office equipment | Motor vehicles | |
| As at 31 December 2006 | | | | | | |
| Cost | 1,536,706 | 2,052 | 1,261,261 | 1,319,304 | 15,994 | 4,135,317 |
| <u>Less</u> Accumulated depreciation | - | - | (242,829) | (966,114) | (3,806) | (1,212,749) |
| Net book amount | <u>1,536,706</u> | <u>2,052</u> | <u>1,018,432</u> | <u>353,190</u> | <u>12,188</u> | <u>2,922,568</u> |
| Year ended 31 December 2007 | | | | | | |
| Opening net book amount | 1,536,706 | 2,052 | 1,018,432 | 353,190 | 12,188 | 2,922,568 |
| Additions | 450,319 | 9 | 46,100 | 143,999 | 385 | 640,812 |
| Adjustments | - | 17,748 | 1,342 | (19,715) | - | (625) |
| Disposals | - | - | - | (144) | (385) | (529) |
| Depreciation charge | (55) | - | (57,644) | (116,402) | (3,200) | (177,301) |
| Closing net book amount | <u>1,986,970</u> | <u>19,809</u> | <u>1,008,230</u> | <u>360,928</u> | <u>8,988</u> | <u>3,384,925</u> |
| As at 31 December 2007 | | | | | | |
| Cost | 1,987,025 | 19,809 | 1,308,703 | 1,436,830 | 15,994 | 4,768,361 |
| <u>Less</u> Accumulated depreciation | (55) | - | (300,473) | (1,075,902) | (7,006) | (1,383,436) |
| Net book amount | <u>1,986,970</u> | <u>19,809</u> | <u>1,008,230</u> | <u>360,928</u> | <u>8,988</u> | <u>3,384,925</u> |

At 31 December 2007, the gross carrying amount of fully depreciated property and equipment of SET that are still in use amounting to Baht 583.67 million (2006: Baht 537.32 million).

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9. Property and equipment, net (Cont'd)

According to certain conditions under the land lease agreement, the legal ownership of buildings and building improvements have been transferred to the landlord at the completion of buildings since 1998. However, SET has the right to use the buildings over a period of 30 years as described in Note 22: Long-term land lease contingency.

10. Intangible assets, net

| | (Unit : Thousand Baht) | | | |
|--------------------------------------|----------------------------|-----------------|--|----------------|
| | Consolidated | | | |
| | Work in process | Software | Patent and operating rights | Total |
| As at 31 December 2006 | | | | |
| Cost | 150,407 | 542,142 | 16,231 | 708,780 |
| <u>Less</u> Accumulated amortisation | - | (260,490) | (2,199) | (262,689) |
| Net book amount | <u>150,407</u> | <u>281,652</u> | <u>14,032</u> | <u>446,091</u> |
| Year ended 31 December 2007 | | | | |
| Opening net book amount | 150,407 | 281,652 | 14,032 | 446,091 |
| Additions | 39,163 | 152,376 | - | 191,539 |
| Transfers | (71,264) | 71,264 | - | - |
| Amortisation charge | - | (81,192) | (1,623) | (82,815) |
| Closing net book amount | <u>118,306</u> | <u>424,100</u> | <u>12,409</u> | <u>554,815</u> |
| As at 31 December 2007 | | | | |
| Cost | 118,306 | 765,783 | 16,231 | 900,320 |
| <u>Less</u> Accumulated amortisation | - | (341,683) | (3,822) | (345,505) |
| Net book amount | <u>118,306</u> | <u>424,100</u> | <u>12,409</u> | <u>554,815</u> |

At 31 December 2007, the gross carrying amount of fully amortised intangible assets of SET and its subsidiaries that are still in use amounting to Baht 171.80 million (2006: Baht 115.80 million).

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10. Intangible assets, net (Cont'd)

| | (Unit : Thousand Baht) | | | |
|--------------------------------------|------------------------|----------------|-----------------------------------|----------------|
| | SET | | | |
| | Work in process | Software | Patent and operating rights | Total |
| As at 31 December 2006 | | | | |
| Cost | 149,606 | 428,371 | 14,231 | 592,208 |
| <u>Less</u> Accumulated amortisation | - | (198,187) | (1,799) | (199,986) |
| Net book amount | <u>149,606</u> | <u>230,184</u> | <u>12,432</u> | <u>392,222</u> |
| Year ended 31 December 2007 | | | | |
| Opening net book amount | 149,606 | 230,184 | 12,432 | 392,222 |
| Additions | 37,882 | 147,548 | - | 185,430 |
| Transfers | (70,464) | 70,464 | - | - |
| Amortisation charge | - | (68,374) | (1,423) | (69,797) |
| Closing net book amount | <u>117,024</u> | <u>379,822</u> | <u>11,009</u> | <u>507,855</u> |
| As at 31 December 2007 | | | | |
| Cost | 117,024 | 646,383 | 14,231 | 777,638 |
| <u>Less</u> Accumulated amortisation | - | (266,561) | (3,222) | (269,783) |
| Net book amount | <u>117,024</u> | <u>379,822</u> | <u>11,009</u> | <u>507,855</u> |

At 31 December 2007, the gross carrying amount of fully amortised intangible assets of SET that are still in use amounting to Baht 116.59 million (2006: Baht 66.03 million).

Work in process principally comprise direct expenses of several developing projects which are Member Back Office Services Bureau system, trading system, depository system and clearing and settlement system.

11. Margin Funds on derivatives market

Thailand Clearing House Company Limited (TCH) is the clearing house for derivatives market. Members of TCH who have outstanding positions are obliged to place the required margins as the guarantee for their trading transactions according to rate or amount called by TCH. TCH may invest the proceeds of margins in securities or other assets according to a specified term and condition. The benefits, after deducting management fees, shall be distributed to members at the announced rate and procedures.

As at 31 December 2007, the margins placed by members amounting to Baht 1,394.01 million (2006: Baht 674.83 million) were deposited in saving accounts and fixed deposit accounts not more than 1 year and the accrued benefits on the margins were Baht 6.10 million (2006: Baht 0.19 million). Therefore, the margin deposits and benefits payable were totally Baht 1,400.11 million (2006: Baht 675.02 million).

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12. Assets for the clearing system protection of derivatives market

The assets for the clearing system protection are established to secure the clearing system of Thailand Clearing House Company Limited (TCH) against any damage caused by members defaults or other incidents.

Assets for the clearing system protection comprised:

12.1 Security Deposit

Members of TCH are required to deposit assets as Security Deposit as announced by TCH (currently Security Deposit are amounting to Baht 5 million per member). TCH shall invest the proceeds of Security Deposit and shall return benefits derived from those Security Deposit, after deducting management fee, to members in accordance with the rules, procedures and conditions prescribed by TCH. Security Deposit will be refunded to members when membership is terminated.

12.2 Clearing Fund

The resources of the Clearing Fund comprise contributions from:

- 1) Thailand Securities Depository Company Limited (TSD), TCH's parent company, amounting to Baht 100 million.
- 2) Individual members of Thailand Clearing House Company Limited (TCH):
 - Initial contribution (currently initial contribution are amounting to Baht 5 million per member)
 - Monthly contribution at the rates according to the level of risk of default

Contributions and benefits on contributions are the right of the payers according to the proportions of their contributions. When the membership is terminated, that member will be refunded all of contributions and benefits on contributions.

As at 31 December 2007 and 2006, assets for the clearing system protection of derivatives market comprise:

| | (Unit : Thousand Baht) | | | | | |
|--------------------------------------|-------------------------------|----------------|----------------------|----------------|----------------|----------------|
| | Consolidated | | | | | |
| | Security Deposit | | Clearing Fund | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Cash and cash equivalents | 185,166 | 6 | 4 | 9 | 185,170 | 15 |
| Investments managed by private funds | | | | | | |
| Savings accounts | 449 | 105 | 420 | 338 | 869 | 443 |
| Other debt instruments | 65,467 | - | 55,467 | 23,000 | 120,934 | 23,000 |
| Trading securities | 59,000 | 115,861 | 187,743 | 198,322 | 246,743 | 314,183 |
| | 310,082 | 115,972 | 243,634 | 221,669 | 553,716 | 337,641 |
| Accrued interest receivables | 2,753 | 1,046 | 3,962 | 2,448 | 6,715 | 3,494 |
| Other assets | 67 | 2 | 1,791 | 44 | 1,858 | 46 |
| Total | 312,902 | 117,020 | 249,387 | 224,161 | 562,289 | 341,181 |

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12. Assets for the clearing system protection of derivatives market (Cont'd)

Assets for the clearing system protection and benefits payable, which contributions are from the members, comprise:

| | (Unit : Thousand Baht) | |
|--|------------------------|-----------------------|
| | Consolidated | |
| | 2007 | 2006 |
| Security Deposit and benefits | | |
| Contributions | 310,000 | 115,000 |
| Benefits (refunded to members every 6 month) | 2,902 | 2,020 |
| | <u>312,902</u> | <u>117,020</u> |
| Clearing Fund and benefits | | |
| Contributions | 130,611 | 115,170 |
| Benefits | 8,420 | 3,008 |
| | <u>139,031</u> | <u>118,178</u> |
| Total | <u><u>451,933</u></u> | <u><u>235,198</u></u> |

13. Fund balances

Fund balances comprise:

13.1 Securities Clearing Reserve Fund

In 1997, the Board of Governors of SET approved an appropriation of general fund of Baht 2 billion to be the Securities Clearing Reserve Fund in order to resolve the liquidity issue in the event of default on clearing and settlement from securities trading and other matters by the members at Thailand Securities Depository Company Limited, a subsidiary of SET.

13.2 Clearing and Settlement of Derivatives Market Reserve Fund

In 2004, the Board of Governors of SET approved an appropriation of general fund of Baht 300 million to be the Clearing and Settlement of Derivatives Market Reserve Fund in order to assure the clearing and settlement system of futures contracts at Thailand Clearing House Company Limited, a subsidiary of Thailand Securities Depository Company Limited.

13.3 Indemnity Fund

In 1993 and 2002, the Board of Governors of SET approved an appropriation of general fund of Baht 100 million to be the Indemnity Fund in order to assure the Board of Governors and those appointed assignees on matters requiring considerations and decisions which may affect or cause damages to other parties.

13. Fund balances (Cont'd)

13.4 SET Building Construction Fund

In 1992, the fund was initially established from an appropriation of general fund of Baht 580 million in accordance with the approval by the Board of Governors of SET for the construction of SET buildings. The office buildings were completely constructed in 1998. The remaining fund of Baht 246.3 million is reserved for further construction of parking building but after transfers possession from the landlord who has been negotiating with the original lessee.

13.5 Staff Welfare Fund

In 1997 and 2004 the Board of Governors of SET approved an appropriation of general fund of Baht 75 million to be the Staff Welfare Fund. All benefits earned from this fund are retained in the fund.

13.6 Securities Investor Protection Fund

In 2004, the Board of Governors of SET approved an appropriation of Baht 300 million from broker seat admission fees as an initial fund for the establishment of the Securities Investor Protection Fund (SIPF).

The SIPF was formally established under SIPF regulations on 1 October 2004. The objective of the fund is to protect and build confidence to the investors trading listed securities at SET through the members of SIPF. As at 31 December 2007, the number of SIPF members was 33 (2006: 33).

The assets of SIPF comprises:

1. the initial fund from SET of Baht 300 million which is appropriated from broker seat admission fees;
2. the future membership entry fees and monthly fees collected from the members (commencing from 1 January 2005) which will be cumulated up to Baht 200 million;
3. the future benefits generated from investments in SIPF.

The fund will protect the investors' assets being in the custody of the member of SIPF. In the event that the members of SIPF fail to return the assets to investors, each investor shall be compensated by SIPF for his/her damage at the actual cost but not more than Baht 1 million per each SIPF member for the following cases:

1. In case SIPF member is in receivership under the Bankruptcy Acts or
2. In case there are disputes concerning the purchase or sale of listed securities in SET between investors and SIPF member, and the arbitrators' award is that SIPF member shall return the assets to investors, but such SIPF member violates such award.

The protection will not include any losses from securities trading no matter who makes investment decision.

13. Fund balances (Cont'd)

13.6 Securities Investor Protection Fund (Cont'd)

SIPF's financial statements included as part of the consolidated and SET's financial statements are as follows:

SIPF balance sheets as at 31 December comprise:

| | (Unit : Thousand Baht) | |
|--|-------------------------------|-----------------------|
| | Consolidated | |
| | 2007 | 2006 |
| Assets | | |
| Current assets | | |
| Cash and investments | 367,388 | 266,414 |
| Contributions due from members | 2,346 | 2,719 |
| Accrued interest receivables | 2,900 | 5,233 |
| Total current assets | <u>372,634</u> | <u>274,366</u> |
| Non-current asset | | |
| Long-term investments | 70,777 | 117,157 |
| Total assets | <u><u>443,411</u></u> | <u><u>391,523</u></u> |
| Liabilities and fund balances | | |
| Non-current liabilities | | |
| Contributions from members | 101,444 | 66,693 |
| Benefits on contributions from members | 6,037 | 2,616 |
| Total non-current liabilities | <u>107,481</u> | <u>69,309</u> |
| Fund balances | | |
| Initial fund | 300,000 | 300,000 |
| Fund balances | 35,930 | 22,214 |
| Total fund balances | <u>335,930</u> | <u>322,214</u> |
| Total liabilities and fund balances | <u><u>443,411</u></u> | <u><u>391,523</u></u> |

SIPF statements of revenues and expenses for the year ended 31 December 2007 and 2006 are presented in Note 14: Results of funds operation.

13.7 SET's 30th Anniversary Charity Fund

In 2004, the Board of Governors of SET approved an appropriation of Baht 100 million to establish a charity fund on the occasion of SET's 30th year anniversary. The purpose of the fund is mainly to contribute to SET's neighboring communities and universities under SET university networking on youth development, sports and education projects. Donations from other parties are also welcome to support these activities.

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14. Results of funds operation

Details of results of funds operation which are included as part of the consolidated and SET's statements of revenues and expenses are as follows:

| | (Unit : Thousand Baht) | | | | |
|--|--------------------------|--|--|-----------------|-----------|
| | Consolidated | | | | |
| | Staff Welfare Fund | Securities Investor Protection Fund (SET's portion) | SET's 30 th Anniversary Charity Fund | General Fund | Total |
| For the year ended 31 December 2007 | | | | | |
| Revenues | | | | | |
| Fees and service revenues | - | - | - | 1,605,830 | 1,605,830 |
| Investment income, net | 2,825 | 13,412 | - | 1,031,959 | 1,048,196 |
| Other revenues | - | - | - | 412,300 | 412,300 |
| Total revenues | 2,825 | 13,412 | - | 3,050,089 | 3,066,326 |
| Expenses | | | | | |
| Operating expenses | - | 35 | - | 2,908,685 | 2,908,720 |
| Donation and social contribution | - | - | 1,348 | 48,112 | 49,460 |
| Income tax | - | - | - | 38,212 | 38,212 |
| Total expenses | - | 35 | 1,348 | 2,995,009 | 2,996,392 |
| Excess (under) of revenues over expenses | 2,825 | 13,377 | (1,348) | 55,080 | 69,934 |
| For the year ended 31 December 2006 | | | | | |
| Revenues | | | | | |
| Fees and service revenues | - | - | - | 1,411,497 | 1,411,497 |
| Investment income, net | 3,490 | 13,568 | - | 975,093 | 992,151 |
| Other revenues | - | - | - | 382,805 | 382,805 |
| Total revenues | 3,490 | 13,568 | - | 2,769,395 | 2,786,453 |
| Expenses | | | | | |
| Operating expenses | - | 45 | - | 2,608,566 | 2,608,611 |
| Donation and social contribution | - | - | 17,829 | 382,858 | 400,687 |
| Income tax | - | - | - | 39,211 | 39,211 |
| Total expenses | - | 45 | 17,829 | 3,030,635 | 3,048,509 |
| Excess (under) of revenues over expenses | 3,490 | 13,523 | (17,829) | (261,240) | (262,056) |

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14. Results of funds operation (Cont'd)

| | (Unit : Thousand Baht) | | | | Total |
|--|------------------------|---|---|--------------|-----------|
| | Staff Welfare Fund | Securities Investor Protection Fund (SET's portion) | SET SET's 30 th Anniversary Charity Fund | General Fund | |
| For the year ended 31 December 2007 | | | | | |
| Revenues | | | | | |
| Fees and service revenues | - | - | - | 1,139,909 | 1,139,909 |
| Investment income, net | 2,825 | 13,412 | - | 1,031,266 | 1,047,503 |
| Other revenues | - | - | - | 144,545 | 144,545 |
| Total revenues | 2,825 | 13,412 | - | 2,315,720 | 2,331,957 |
| Expenses | | | | | |
| Operating expenses | - | 35 | - | 2,275,362 | 2,275,397 |
| Donation and social contribution | - | - | 1,348 | 45,439 | 46,787 |
| Total expenses | - | 35 | 1,348 | 2,320,801 | 2,322,184 |
| Excess (under) of revenues over expenses | 2,825 | 13,377 | (1,348) | (5,081) | 9,773 |
| For the year ended 31 December 2006 | | | | | |
| Revenues | | | | | |
| Fees and service revenues | - | - | - | 991,654 | 991,654 |
| Investment income, net | 3,490 | 13,568 | - | 945,751 | 962,809 |
| Other revenues | - | - | - | 140,246 | 140,246 |
| Total revenues | 3,490 | 13,568 | - | 2,077,651 | 2,094,709 |
| Expenses | | | | | |
| Operating expenses | - | 45 | - | 2,029,524 | 2,029,569 |
| Donation and social contribution | - | - | 17,829 | 380,099 | 397,928 |
| Total expenses | - | 45 | 17,829 | 2,409,623 | 2,427,497 |
| Excess (under) of revenues over expenses | 3,490 | 13,523 | (17,829) | (331,972) | (332,788) |

15. Investment income, net

| | (Unit : Thousand Baht) | | | |
|---|------------------------|----------|-----------|---------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Interest income | 297,561 | 330,030 | 233,709 | 294,883 |
| <u>Less Interest expenses</u> | | | | |
| - Borrowings from subsidiaries (Note 21 iv.) | - | - | (8,721) | (5,554) |
| - Assets for the clearing system - members' portion | (39,202) | (10,063) | - | - |
| - Others | (962) | - | (962) | - |
| Interest income, net | 257,397 | 319,967 | 224,026 | 289,329 |
| Dividend income from | | | | |
| - Subsidiaries (Note 7) | - | - | 42,000 | - |
| - Others entities | 9,785 | 6,669 | 9,785 | 6,669 |
| - Mutual funds | 377,361 | 208,690 | 377,160 | 208,690 |
| Realised gain from investments | 372,889 | 438,317 | 372,102 | 438,190 |
| Unrealised gain from investments | 17,352 | 4,940 | 9,018 | 6,363 |
| Investment income, net | 1,034,784 | 978,583 | 1,034,091 | 949,241 |

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16. Other revenues

| | (Unit : Thousand Baht) | | | |
|---|------------------------|----------------|----------------|----------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Service and advertising production revenues | 90,817 | 113,113 | - | - |
| Information service revenues | 77,149 | 72,577 | 64,490 | 61,410 |
| Revenues from clearing settlement | 73,526 | 27,898 | - | - |
| Broker operation services revenues | 33,933 | 34,650 | - | - |
| Revenues from Thailand Securities Institute | 32,633 | 42,159 | 32,633 | 42,159 |
| Customisation fee | 20,420 | 14,812 | - | - |
| Clearing and settlement default fines | 11,504 | 22,118 | - | - |
| Member fines | 8,095 | 18,645 | 8,095 | 18,645 |
| Other revenues | 54,855 | 32,897 | 39,327 | 18,032 |
| Total | 402,932 | 378,869 | 144,545 | 140,246 |

17. Office building expenses

| | (Unit : Thousand Baht) | | | |
|--------------------------------|------------------------|---------------|----------------|---------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Land lease expense (Note 22) | 290,583 | - | 290,583 | - |
| Other office building expenses | 86,618 | 87,476 | 85,335 | 85,441 |
| Total | 377,201 | 87,476 | 375,918 | 85,441 |

18. Contributions to the office of the Securities and Exchange Commission (SEC)

The Securities and Exchange Act B.E. 2535 requires SET to contribute a fund to SEC at the rate as determined by the Board of SEC.

During 2003 to 2005, the Board of SEC required SET to contribute to SEC at the rate of 0.002% of trading volume of prior year, but the amount was subject to the minimum requirement of Baht 90 million and the maximum requirement of Baht 150 million.

From 2006 to 2008, the Board of SEC has required the contributions at the rate of 0.002% of trading volume of prior year and cancelled the minimum and maximum requirement. The contribution criteria is required to review at every three years.

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19. Other expenses

| | (Unit : Thousand Baht) | | | |
|--|------------------------|----------------|----------------|----------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Repair and maintenance expenses | 91,414 | 85,431 | 108,810 | 88,881 |
| Fees to external parties | 85,386 | 69,729 | 139,696 | 211,688 |
| Contribution to capital market institutions | 34,074 | 31,891 | 37,916 | 42,369 |
| Stationery and registrar forms | 30,585 | 29,642 | 8,820 | 7,713 |
| Commercial training & seminar of capital market education | 18,419 | 24,495 | 18,442 | 25,627 |
| Other expenses | 140,046 | 149,200 | 92,900 | 95,848 |
| Total | 399,924 | 390,388 | 406,584 | 472,126 |

20. Contingent liabilities and commitments

20.1 Contingent liabilities

i) SET

As at 31 December 2007, SET had letters of guarantee issued by banks of Baht 3.89 million (2006: Baht 3.34 million) in respect of electricity usage in the ordinary course of business from which management anticipated that no material liabilities will arise.

SET has issued a letter of comfort to a bank in respect of an overdraft credit line granted to Thailand Securities Depository Co., Ltd. (TSD), a subsidiary, of Baht 1,500 million (2006: Baht 1,500 million). Under the terms of the letter of comfort, SET is required to maintain 99.99% of the registered share capital in TSD to the end of the credit period. In addition, SET is required to support TSD's operation to ensure its ability to repay the debts to the bank. As at 31 December 2007, the overdraft credit line had not yet been drawn down.

ii) Subsidiaries

Thailand Securities Depository Co., Ltd. (TSD), a subsidiary has issued a letter of comfort to a bank in respect of an overdraft credit line granted to Thailand Clearing House Co., Ltd. (TCH), a subsidiary of TSD, of Baht 200 million (2006: Baht 200 million). Under the terms of the letter of comfort, TSD is required to maintain 99.99% of the registered share capital in TCH as long as TCH has liabilities with the bank. As at 31 December 2007, the overdraft credit line had not yet been drawn down.

Family Know-how Co., Ltd. had letters of guarantee issued by banks of Baht 4.54 million (2006: Baht 1.99 million) in respect of television airtime cost that were guaranteed by the fixed deposit account (Note 6).

In addition, **SET and its subsidiaries** are defendants in various pending legal cases from normal operations. In the opinion of management after taking appropriate legal advice, the anticipated outcome is that such legal cases will not give rise to any significant losses.

20. Contingent liabilities and Commitments (Cont'd)

20.2 Operating lease

The future minimum lease payment commitments under non-cancellable operating leases of motor vehicles, are as follows:

| | (Unit : Thousand Baht) | | | |
|--------------|------------------------|---------------|---------------|---------------|
| | Consolidated | | SET | |
| | 2007 | 2006 | 2007 | 2006 |
| Up to 1 year | 14,514 | 12,022 | 10,472 | 9,732 |
| 1 - 3 years | 22,359 | 17,293 | 15,995 | 15,589 |
| 3 - 5 years | 2,153 | 4,503 | 1,466 | 4,503 |
| | <u>39,026</u> | <u>33,818</u> | <u>27,933</u> | <u>29,824</u> |

In addition, SET and its subsidiaries had the approximate commitments of Baht 20 million (2006: Baht 180 million) in respect of systems development projects, computer and building improvements of SET building.

20.3 Bank guarantees

As at December 2007, SET and its subsidiaries obtain letters of bank guarantees of approximately Baht 106 million (2006: Baht 150 million) according to the agreements with third parties in respect of consultancy, design and construction of SET building and the new information center at North Park on Viphavadi Rangsit road, Bangkok.

21. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, SET, including subsidiaries and fellow subsidiaries are related parties of SET. Associates and individuals owning, directly or indirectly, an interest in the voting power of SET that gives them significant influence over the enterprise, key management personnel, including directors and officers of SET and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

21. Related party transactions (Cont'd)

The following significant transactions were carried out with related parties:

i) Sales of services

| | (Unit : Thousand Baht) | |
|--|-------------------------------|----------------|
| | SET | |
| | 2007 | 2006 |
| Subsidiaries | | |
| Thailand Securities Depository Co., Ltd. | 340,411 | 312,915 |
| Thailand Futures Exchange Public Co., Ltd. | 44,595 | 321 |
| SETTRADE.COM Co., Ltd. | 23,782 | 6,602 |
| Thai Trust Fund Management Co., Ltd. | 6,000 | 5,500 |
| Family Know-how Co., Ltd. | 5,339 | 5,587 |
| | <u>420,127</u> | <u>330,925</u> |

Pricing policy

SET charges services rendered to subsidiaries according to agreed rates.

ii) Purchases of services

| | (Unit : Thousand Baht) | |
|--|-------------------------------|----------------|
| | SET | |
| | 2007 | 2006 |
| Subsidiaries | | |
| Family Know-how Co., Ltd. | 143,459 | 224,158 |
| SETTRADE.COM Co., Ltd. | 44,412 | 54,530 |
| Thai NVDR Co., Ltd. | 1,500 | 1,500 |
| Thailand Securities Depository Co., Ltd. | 118 | 44 |
| | <u>189,489</u> | <u>280,232</u> |

Pricing policy

SET pays for services rendered from subsidiaries according to agreed rates.

21. Related party transactions (Cont'd)

iii) Outstanding balances arising from purchases/sales of services

| | (Unit : Thousand Baht) | |
|---|------------------------|--------|
| | SET | |
| | 2007 | 2006 |
| Receivables, accrued income and other assets from: | | |
| Subsidiaries: | | |
| Thailand Securities Depository Co., Ltd. | 50,945 | 40,965 |
| Thailand Futures Exchange Public Co., Ltd. | 45,679 | 127 |
| SETTRADE.COM Co., Ltd. | 24,765 | 11,398 |
| Family Know-how Co., Ltd. | 7,639 | 12,681 |
| Thai Trust Fund Management Co., Ltd. | 1,284 | - |
| | 130,312 | 65,171 |
| Payables, accrued expenses and other liabilities to: | | |
| Subsidiaries: | | |
| Family Know-how Co., Ltd. | 15,906 | 22,156 |
| SETTRADE.COM Co., Ltd. | 8,148 | 7,000 |
| Thailand Securities Depository Co., Ltd. | 5,814 | 5,737 |
| Thailand Futures Exchange Public Co., Ltd. | 1,004 | - |
| | 30,872 | 34,893 |

iv) Borrowings from subsidiaries and interest expenses

In 2006, SET and its subsidiaries have a policy to centralise the investments of the Group and managed by SET in order to increase the efficiency and enhance the overall returns. SET will borrow from its subsidiaries in the form of promissory notes which have maturity within 1 year with interest rate that referred to the deposit rate of financial institutions. The interest rate of 2007 is 4.00% per annum (2006: 3.25% - 4.50% per annum). SET records interest expenses as part of net investment income (Note 15) in the statement of revenues and expenses.

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21. Related party transactions (Cont'd)

iv) Borrowings from subsidiaries and interest expenses (Cont'd)

Borrowings from subsidiaries and interest expenses are as follows:

| | (Unit : Thousand Baht) | |
|--|------------------------|---------|
| | SET | |
| | 2007 | 2006 |
| Borrowings from subsidiaries | | |
| Thailand Futures Exchange Public Co., Ltd. | 110,000 | 87,000 |
| Thai Trust Fund Management Co., Ltd. | 93,450 | 93,450 |
| Thai NVDR Co., Ltd. | 9,200 | 9,180 |
| Siam DR Co., Ltd. | 9,200 | 8,800 |
| | 221,850 | 198,430 |
| Interest expenses | | |
| Thailand Futures Exchange Public Co., Ltd. | 4,247 | 2,101 |
| Thai Trust Fund Management Co., Ltd. | 3,738 | 2,903 |
| Thai NVDR Co., Ltd. | 368 | 277 |
| Siam DR Co., Ltd. | 368 | 273 |
| | 8,721 | 5,554 |

v) Contributions to subsidiary

In 2007, SET contributed Baht 1.92 million to Family Know-how Co., Ltd. to support its business operation (2006: Baht 8.08 million).

vi) Contributions for The Stock Exchange of Thailand Foundation (SOF)

In 2006, the Board of Governors of SET approved for the establishment of The Stock Exchange of Thailand Foundation (SOF) and the Board of Governors of SET will be appointed as member of the Board of SOF.

SOF was registered and incorporated on 9 August 2006 with the objective of conducting activities for the development of society, communities and the environment. SOF's activities focus on developing a vigorous Thai society and communities in order to prevent and resolve problems relating to addictive drugs and other problems from Thai youth and Thai society. In addition, the activities support projects and programmes relating to education.

In 2007, SET contributed Baht 4.89 million to SOF to support its social activities (2006: SET contributed an initial fund for the establishment of Baht 1 million and for its social activities of Baht 146.28 million).

vii) Directors and management's remuneration

The directors and committees' remuneration, which represented director fees, other fees of the Board of Governors and the Board of Directors of subsidiaries, and the fees received as members of sub-committees, for the year 2007 approximated Baht 28.95 million (2006: Baht 28.27 million).

The management's remuneration, which represented salary and other benefits of high level management of SET and subsidiaries for the year 2007 approximated Baht 144.29 million (2006: Baht 152.16 million).

22. Long-term land lease contingency

SET entered into a 30-year land lease agreement with a lessor (who is the landlord) for the construction of SET buildings. The land lease agreement expires at the end of July 2028. Under the lease terms, a company that had the right to lease the land agreed to be responsible for all lease payments on behalf of SET to the lessor. In the event of default on lease payments, the lessor is required to proceed for collection directly from this company until a final judgement is obtained before the lessor is permitted to claim lease payments from SET.

This company has been suffering financial difficulties and has been unable to pay the lease charges since 1994 totalling approximately Baht 314.08 million. The lessor is in the process of enforcement through litigation against the company under the Civil Court. In 2004, the Civil Court ordered the company to pay the outstanding lease charges for 1994 to 2001 amounting to Baht 132.84 million and interest of 7.50% per annum to the lessor. In 2005, the company appealed to the Appeal Court and the case is in the process of court judgement.

In 2006, SET and the company were sued by the lessor for the unpaid lease amount for the years 1994 to 2005 and related interest totalling amount of 344.00 million. In addition, SET was sued by the lessor who requested that SET move the assets placed on the area not covered by the lease contract and to pay additional compensation amounting to Baht 220.00 million. As at 31 December 2007, these cases are in the process of court judgement.

In 2007, SET was in the process of negotiation with the lessor. As at 31 December 2007, the unpaid lease amount has been recorded as land lease expense in the statement of revenues and expenses at the amount of Baht 290.58 million and recorded as part of other current assets in the balance sheet at the amount of Baht 5.05 million. Altogether, the liability in the balance sheet as part of accounts payable and accrued expenses totalled Baht 295.63 million.

In 2005, SET claimed the property (cash) amounting to Baht 68.94 million deposited as guarantee under the lease obligation from the Central Office of Deposit of Property. The deposited property (cash) was recorded as an assets in the balance sheet. As at 31 December 2007, the matter was still under discussion with the company.

23. Financial instruments

i) Key objectives and conditions

SET and its subsidiaries maintain high liquidity and therefore no policy to seek outside funding in the near future. SET and its subsidiaries have a policy to invest its funds at low-risk financial institutions which have a good return.

ii) Credit risk from investments and deposits

SET and its subsidiaries have no significant concentration of investments or deposits at financial institutions. SET and its subsidiaries; however, are exposed to market risks as the issuer and/or investor of financial instruments. SET and its subsidiaries, therefore, have a policy to diversify its investments and deposits to high credit financial institutions according to SET's regulations.

23. Financial instruments (Cont'd)

ii) Credit risk from investments and deposits (Cont'd)

Investment policies of 2007 and 2006 are summarised as follows:

1. Investments in debt securities

| Type of investments | Proportion to total investments in debt securities |
|--|--|
| - Government securities, debentures or bonds of state enterprises or entities incorporated by specific laws that guaranteed by Ministry of Finance | Unlimited amount |
| - Time deposits or NCD at commercial banks and promissory notes of finance company or financial institutions incorporated by specific laws | Not exceed 15% per institution |
| - Debentures or warrants of debentures and bills of exchange | Not exceed 5% per issuer |
| - Investment units or warrants of investment units in mutual funds those invested in debt securities | Not exceed 10% per that mutual fund |

2. Investments in equity securities

| Type of investments | Proportion to total investments in equity securities |
|--|--|
| - Investment units or warrants of investment units in mutual funds which emphasize equity securities | Not exceed 10% per mutual fund |

During 2007, the Board of Governors of SET approved two more types of investments which were property funds and foreign investment funds are as follow:

- Investments in property funds should not exceed 10% of project value amounting not exceed 5% of total investments (2006: amounting not exceed Baht 500 million or not exceed 3.5% of total investments).
- Investments in foreign investment funds should not exceed 5% of total investments in the first half year and 17% of total investments in the second half year (2006: not exceed 10% of approved amount by the Board of Governors in amounting not exceed Baht 400 million or not exceed 3% of total investments).

The investments in any asset management companies should not exceed 40% of total investments.

iii) Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, accounts receivable and accrued income, accrued interest receivables, accounts payable and accrued expenses. Fair value of short-term investments and long-term investments are disclosed in Note 4 and 8 respectively.