

THE STOCK EXCHANGE OF THAILAND

CONSOLIDATED AND ENTITY FINANCIAL STATEMENTS

31 DECEMBER 2008

AUDITOR'S REPORT

To the Members of The Stock Exchange of Thailand

I have audited the accompanying consolidated and entity balance sheets as at 31 December 2008 and 2007, 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 at 31 December 2008 and 2007, 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
25 February 2009

The Stock Exchange of Thailand
Balance Sheets
As at 31 December 2008 and 2007

		(Unit : Thousand Baht)			
		Consolidated		SET	
		Restated		Restated	
Notes	2008	2007	2008	2007	
Assets					
Current assets					
Cash and cash equivalents	231,757	260,320	88,897	102,257	
Cash at bank for clearing collateral and dividend payable to holders	8,813	21,387	-	-	
Cash at banks for margin deposits and benefits	1,901,914	1,400,106	-	-	
Short-term investments	5,325,907	5,311,747	4,744,916	4,860,950	
Accounts receivable and accrued income, net	185,568	156,754	238,900	161,382	
Accrued interest receivables	49,642	47,735	44,986	44,113	
Other current assets	88,532	180,015	58,525	159,936	
Total current assets	7,792,133	7,378,064	5,176,224	5,328,638	
Non-current assets					
Investments in subsidiaries and associate	159,939	160,834	654,591	644,591	
Long-term investments	4,723,191	6,795,998	4,653,015	6,781,998	
Assets and benefits for the clearing system protection	776,016	562,289	-	-	
Securities Investor Protection Fund	493,515	443,411	493,515	443,411	
Property and equipment, net	3,618,667	3,446,913	3,574,811	3,384,925	
Intangible assets, net	430,032	554,815	395,626	507,855	
Other non-current assets	6,977	7,015	6,937	6,957	
Total non-current assets	10,208,337	11,971,275	9,778,495	11,769,737	
Total assets	18,000,470	19,349,339	14,954,719	17,098,375	

The accompanying notes on pages 9 to 47 are an integral part of these consolidated and entity financial statements

The Stock Exchange of Thailand
Balance Sheets
As at 31 December 2008 and 2007

		(Unit : Thousand Baht)			
		Consolidated		SET	
		Restated		Restated	
Notes	2008	2007	2008	2007	
Liabilities and fund balances					
Current liabilities					
Clearing collateral and dividend payable to holders	8,813	21,387	-	-	
Margin deposits and benefits payable	14	1,901,914	1,400,106	-	
Accounts payable and accrued expenses	345,696	665,849	309,946	572,222	
Fees received in advance	344,013	216,808	137,613	141,423	
Accrued income tax	5,845	3,495	-	-	
Borrowings from subsidiaries	23	-	-	343,850	
Other current liabilities	213,892	245,609	104,864	183,898	
Total current liabilities	2,820,173	2,553,254	896,273	1,119,393	
Non-current liabilities					
Assets and benefits for the clearing system protection payable	15	660,372	451,933	-	
Contributions and benefits to the Securities Investor Protection Fund	17	145,470	107,481	145,470	
Provision for retirement benefits	16	133,723	116,945	92,502	
Other non-current liabilities	48,066	48,505	32,483	32,923	
Total non-current liabilities	987,631	724,864	270,455	221,137	
Total liabilities	3,807,804	3,278,118	1,166,728	1,340,530	
Fund balances					
Funds	14,627,100	14,421,856	14,222,727	14,109,354	
Unrealised gain (loss) on available-for-sale securities	(434,436)	1,649,363	(434,736)	1,648,491	
Minority interest	2	2	-	-	
Total fund balances	14,192,666	16,071,221	13,787,991	15,757,845	
Total liabilities and fund balances	18,000,470	19,349,339	14,954,719	17,098,375	

The accompanying notes on pages 9 to 47 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 2008 and 2007

		(Unit : Thousand Baht)			
		Consolidated		SET	
		Restated		Restated	
Notes		2008	2007	2008	2007
Operating revenues					
	Trading fees	534,963	505,198	398,123	427,182
	Registrar fees	567,590	571,690	-	-
	Listing fees	237,773	235,536	237,773	235,536
	Revenues from member services	142,643	101,398	-	-
	Depository fees	129,168	133,891	-	-
23	Service fees from subsidiaries	-	-	618,169	420,127
19	Investment income, net	613,574	1,034,784	585,758	1,034,091
10	Share of profit (loss) of investments in associate	(895)	9,368	-	-
20	Other revenues	595,607	461,049	341,885	201,609
	Total operating revenues	2,820,423	3,052,914	2,181,708	2,318,545
Operating expenses					
	Staff costs	1,024,741	1,160,880	719,351	803,417
	Marketing and media production expenses	268,635	392,251	178,968	258,466
	Communication expenses	132,530	149,086	26,460	33,512
	Fees to external parties	100,119	85,386	170,600	139,696
	Office building expenses	95,595	377,201	94,616	375,918
21	Contributions to the Office of The SEC	170,873	159,347	170,873	159,347
23	Contributions to subsidiary	-	-	12,000	1,920
	Depreciation and amortisation	355,680	285,536	318,756	247,098
22	Other expenses	334,148	314,538	294,356	266,888
	Total operating expenses	2,482,321	2,924,225	1,985,980	2,286,262
	Operating revenues over operating expenses	338,102	128,689	195,728	32,283
Non-operating items					
18	Net income from the Securities Investor Protection Fund	12,352	13,377	12,352	13,377
	Donation and social contribution, net	(96,356)	(49,460)	(94,470)	(46,787)
	Revenues over (under) expenses before income tax	254,098	92,606	113,610	(1,127)
	Income tax	(48,617)	(38,212)	-	-
	Revenues over (under) expenses, net	205,481	54,394	113,610	(1,127)
Attributable on revenues over (under) expenses					
	Shareholders of the parent	205,481	54,394	113,610	(1,127)
	Minority interest	-	-	-	-
		205,481	54,394	113,610	(1,127)

The accompanying notes on pages 9 to 47 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 2008 and 2007

(Unit : Thousand Baht)

Notes	Consolidated										Total
	Clearing & Settlement			SET	Staff	Securities	The SET's 30th		Unrealised	Minority	
	Securities Clearing Reserve Fund	of Derivatives Market Reserve Fund	Indemnity Fund	Building Construction Fund	Welfare Fund	Investor Protection Fund	Anniversary Charity Fund	General Fund	gain (loss) on available-for-sale securities		
	17.1	17.2	17.3	17.4	17.5	17.6	17.7				
Beginning balance 1 January 2008											
- As previous report	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,454,715	1,649,363	2	16,188,166
- Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(116,945)	-	-	(116,945)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,337,770	1,649,363	2	16,071,221
Adjustment for SET building construction expenses	-	-	-	(6,605)	-	-	-	6,605	-	-	-
Unrealised loss on available-for-sale securities	-	-	-	-	-	(237)	-	-	(2,083,799)	-	(2,084,036)
<u>Add</u> Revenues over (under) expenses (Note 18)	-	-	-	-	1,061	12,352	(8,713)	200,781	-	-	205,481
Ending balance 31 December 2008	<u>2,000,000</u>	<u>300,000</u>	<u>100,000</u>	<u>239,723</u>	<u>94,176</u>	<u>348,045</u>	<u>-</u>	<u>11,545,156</u>	<u>(434,436)</u>	<u>2</u>	<u>14,192,666</u>
Beginning balance 1 January 2007											
- As previous report	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
- Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(101,405)	-	-	(101,405)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,298,230	1,107,706	2	15,474,831
Unrealised gain on available-for-sale securities	-	-	-	-	-	339	-	-	541,657	-	541,996
<u>Add</u> Revenues over (under) expenses (Note 18)	-	-	-	-	2,825	13,377	(1,348)	39,540	-	-	54,394
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>11,337,770</u>	<u>1,649,363</u>	<u>2</u>	<u>16,071,221</u>

The accompanying notes on pages 9 to 47 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 2008 and 2007

(Unit : Thousand Baht)

Notes	SET									
	Clearing & Settlement of Derivatives			SET			Securities		Unrealised gain (loss) on available-for-sale securities	Total
	Securities Clearing Reserve Fund	Market Reserve Fund	Indemnity Fund	SET Building Construction Fund	Staff Welfare Fund	Investor Protection Fund	The SET's 30th Anniversary Charity Fund	General Fund		
	17.1	17.2	17.3	17.4	17.5	17.6	17.7			
Beginning balance 1 January 2008										
- As previous report	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,106,001	1,648,491	15,838,578
- Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(80,733)	-	(80,733)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	93,115	335,930	8,713	11,025,268	1,648,491	15,757,845
Adjustment for SET building construction expenses	-	-	-	(6,605)	-	-	-	6,605	-	-
Unrealised loss on available-for-sale securities	-	-	-	-	-	(237)	-	-	(2,083,227)	(2,083,464)
<u>Add</u> Revenues over (under) expenses (Note 18)	-	-	-	-	1,061	12,352	(8,713)	108,910	-	113,610
Ending balance 31 December 2008	<u>2,000,000</u>	<u>300,000</u>	<u>100,000</u>	<u>239,723</u>	<u>94,176</u>	<u>348,045</u>	<u>-</u>	<u>11,140,783</u>	<u>(434,736)</u>	<u>13,787,991</u>
Beginning balance 1 January 2007										
- As previous report	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,111,082	1,107,420	15,287,395
- Retrospective adjustments from early adoption of new accounting standard (Note 6)	-	-	-	-	-	-	-	(69,833)	-	(69,833)
Beginning balance after retrospective adjustment	2,000,000	300,000	100,000	246,328	90,290	322,214	10,061	11,041,249	1,107,420	15,217,562
Unrealised gain on available-for-sale securities	-	-	-	-	-	339	-	-	541,071	541,410
<u>Add</u> Revenues over (under) expenses (Note 18)	-	-	-	-	2,825	13,377	(1,348)	(15,981)	-	(1,127)
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>11,025,268</u>	<u>1,648,491</u>	<u>15,757,845</u>

The accompanying notes on pages 9 to 47 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 2008 and 2007

		(Unit : Thousand Baht)			
		Consolidated		SET	
		Restated		Restated	
Notes	2008	2007	2008	2007	
Cash flows from operating activities					
	254,098	92,606	113,610	(1,127)	
Revenues over (under) expenses					
Adjustments for:					
Doubtful debts	(253)	(504)	(253)	(457)	
Depreciation and amortisation	12, 13 355,680	285,536	318,756	247,098	
(Gain) loss on disposals of property and equipment and intangible assets	10,802	(308)	10,839	(450)	
Adjust work in process to expense	-	625	-	625	
Investment income, net	(625,965)	(1,048,196)	(598,149)	(1,047,503)	
Interest expenses from borrowings from subsidiaries	23 -	-	8,851	8,721	
Share of profit (loss) of investments in associate	10 895	(9,368)	-	-	
Changes in working capital:					
Cash at bank for clearing collateral and dividend payable to holders	12,574	(16,652)	-	-	
Cash at banks for margin deposits and benefits	(501,808)	(725,085)	-	-	
Accounts receivable and accrued income	(28,561)	7,944	(77,265)	(76,739)	
Other current assets	96,004	34,982	101,411	50,804	
Assets and benefits for the clearing system protection	(213,727)	(221,108)	-	-	
Securities Investor Protection Fund	(50,104)	(51,888)	(50,104)	(51,888)	
Other non-current assets	38	2,263	20	1,546	
Clearing collateral and dividend payable to holders	(12,574)	16,652	-	-	
Margin deposits and benefits payable	501,808	725,085	-	-	
Accounts payable and accrued expenses	(320,153)	294,227	(262,276)	335,892	
Fees received in advance	127,205	(15,080)	(3,810)	10,088	
Other current liabilities	(31,717)	(26,485)	(79,034)	(628)	
Assets and benefits for the clearing system protection payable	208,439	216,735	-	-	
Contributions and benefits to the Securities Investor Protection Fund	37,989	38,172	37,989	38,172	
Provision for retirement benefits	16,778	15,540	11,769	10,900	
Other non-current liabilities	(439)	7,830	(440)	3,729	
Cash used in operating activities	(162,991)	(376,477)	(468,086)	(471,217)	

The accompanying notes on pages 9 to 47 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 2008 and 2007

	(Unit : Thousand Baht)				
	Consolidated		SET		
	Notes	2008	Restated 2007	2008	Restated 2007
Cash used in operating activities		(162,991)	(376,477)	(468,086)	(471,217)
Income tax paid		(50,788)	(43,988)	-	-
Net cash used in operating activities		<u>(213,779)</u>	<u>(420,465)</u>	<u>(468,086)</u>	<u>(471,217)</u>
Cash flows from investing activities					
Cash at banks by M.O.U.		(67,743)	(74,592)	(67,743)	(74,592)
Purchases of short-term investments		(3,845,654)	(2,681,368)	(2,184,184)	(1,464,505)
Purchases of investments in subsidiary	10	-	-	(10,000)	-
Purchases of long-term investments		(103,161)	(28,384)	(50,000)	(12,706)
Purchases of bonds		(7,446,690)	(2,277,051)	(7,446,690)	(2,277,051)
Purchases of debentures		(509,046)	(671,971)	(509,046)	(671,971)
Purchases of investment units in mutual funds		(828,351)	(1,843,717)	(828,351)	(1,843,717)
Purchases of property and equipment	12	(387,413)	(655,865)	(381,210)	(640,812)
Purchases of intangible assets	13	(27,686)	(191,539)	(26,740)	(185,430)
Interest expenses from borrowings from subsidiaries	23	-	-	(8,851)	(8,721)
Disposals of investments		12,762,317	7,630,971	11,232,405	6,554,190
Cash from borrowings from subsidiaries		-	-	122,000	23,420
Proceeds from sales of property and equipment		1,646	1,448	698	979
Income from investments		624,031	1,106,840	599,472	1,070,655
Benefits from Staff Welfare Fund		1,067	3,366	1,067	3,366
Benefits from Securities Investor Protection Fund		11,899	14,735	11,899	14,735
Net cash from investing activities		<u>185,216</u>	<u>332,873</u>	<u>454,726</u>	<u>487,840</u>
Net increase (decrease) in cash and cash equivalents		(28,563)	(87,592)	(13,360)	16,623
Cash and cash equivalents at the beginning of the year		<u>260,320</u>	<u>347,912</u>	<u>102,257</u>	<u>85,634</u>
Cash and cash equivalents at the end of the year		<u>231,757</u>	<u>260,320</u>	<u>88,897</u>	<u>102,257</u>

The accompanying notes on pages 9 to 47 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 2008 and 2007

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 centre for purchases and sales of securities and to provide related services, which have no objective of 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 providing clearing and settlement services, and acting as clearing house, 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 all 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 Non-Voting Depository Receipt (NVDR) and 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 have been approved by the SEC to offer to the public, or other securities as prescribed by the SEC;
12. Join with the fund or Venture Capital to invest in companies which focus on innovation, science and technology and have potential to be listed on the stock exchange.

These consolidated and SET's financial statements were authorised for issue by the Board of Governors on 25 February 2009.

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.

2. Accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

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.

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 New accounting standard and amendments to accounting standards

During 2007 and 2008, the Federation of Accounting Profession ("FAP") has announced new standard and amendments to Thai Accounting Standards ("TAS") as follows:

Revised standards

- TAS 25 "Cash Flow Statements"
- TAS 29 "Leases"
- TAS 31 "Inventories"
- TAS 33 "Borrowing Costs"
- TAS 35 "Presentation of Financial Statements"
- TAS 39 "Accounting Policies, Changes in Accounting Estimates and Errors"
- TAS 41 "Interim Financial Reporting"
- TAS 43 "Business Combinations"
- TAS 49 "Construction Contracts"

New standard

- TAS 51 "Intangible Assets"

The amendments to accounting standards and the new accounting standard are effective for the period beginning on or after 1 January 2008 except TAS 29 "Leases" which is effective for the lease contract started on or after 1 January 2008.

The revised and new accounting standards as described above do not have a significant effect to the financial statements except for TAS 35 "Presentation of Financial Statements" (Revised 2007), which has affected the presentation of other disclosures as mentioned in Note 4 and Note 5.

2. Accounting policies (Cont'd)

2.2 New accounting standards and amendment to accounting standards (Cont'd)

The financial statements have added additional information related to critical accounting estimates and judgements and capital risk management as required by the revised TAS 35 "Presentation of Financial Statements".

The amendments to accounting standards effective for accounting period beginning on or after 1 January 2009 as follows:

TAS 36 "Impairment of Assets"

TAS 54 "Non-current Assets Held for Sale and Discontinued Operations"

Those two standards are not expected to have a material impact on the financial statements being presented.

2.3 Investments in subsidiaries and associate

2.3.1 Subsidiaries

Subsidiaries are all entities over which SET has power to govern the financial and operating policies. 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.

In SET's financial statements, investments in subsidiaries are accounted for by using the cost method. Under the cost method, income from investments in subsidiaries will be recorded when dividends are declared.

2.3.2 Associate

Associate is the entity which SET exercises influence but does not control. In the consolidated financial statements, investments in associate are initially recognised at cost and are subsequently accounted for using the equity method of accounting.

SET's share of its associates' post-acquisition profits or losses is recognised in the statements of revenues and expenses, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjust the carrying amount of the investment. When SET's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, SET does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2. Accounting policies (Cont'd)

2.3 Investments in subsidiaries and associate (Cont'd)

2.3.2 Associate (Cont'd)

Unrealised gains on transactions between SET and its associate are eliminated to the extent of SET's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Allowance, if any, is recorded for impairment in investment value in the statements of revenues and expenses.

A list of SET's principal subsidiaries and associate and the financial effect from share of net profit (loss) is shown in Note 10.

2.4 Foreign currency translation

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

SET and its subsidiaries translate foreign currency transactions 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 statements of revenues and expenses.

2.5 Accounting policy of underlying assets and Non-Voting Depository Receipts (NVDRs)

Underlying assets are the financial assets carried by Thai NVDR Co., Ltd., and Siam DR Co.,Ltd. (subsidiaries). Non-Voting Depository Receipts (NVDRs) and Depository Receipts (DRs) are the financial liabilities. The subsidiaries will offset between financial assets and financial liabilities, and show the net amount in the financial statements. The prospectus contained regulation and condition that the subsidiaries are responsible for issuing and selling NVDRs or DRs of listed companies in The Stock Exchange of Thailand at the same amount and period (back to back). Moreover, the subsidiaries who are the holders will receive the financial benefits and payment to the investors in NVDRs or DRs according to the prospectus. Those benefits are not recognised as revenue of those subsidiaries.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks but not include deposit with bank which held to maturities, other short-term highly liquid investments held for working capital and short-term commitment payment purposes with original maturities of three months or less.

2. Accounting policies (Cont'd)

2.7 Investments

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 statements of revenues and expenses.

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.

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

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, if any.

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

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

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 statements of revenues and expenses.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged to the statements 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 by the weighted average carrying amount of the total holdings of the investments.

2.8 Accounts receivable and accrued income

Accounts receivable and accrued income are carried at original invoice amount and subsequent measure at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. The amount of the allowance is the difference between the carrying amount of the accounts receivable and accrued income and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statements of revenues and expenses within other expenses.

2. Accounting policies (Cont'd)

2.9 Property and equipment

Land is stated at cost. All other property and equipment is 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

Residual value and the estimated useful life of the assets are reviewed and revised at the balance sheet date.

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 statements 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 the statements of revenues and expenses.

2.10 Intangible assets

2.10.1 Computer software

Costs associated with developing or maintaining computer software programs are recognised as expenses in the statements 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 intangible assets are amortised using the straight line method over their useful life, generally over five years.

2. Accounting policies (Cont'd)

2.10 Intangible assets (Cont'd)

2.10.2 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 lives, 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.

2.11 Impairment of assets

Property and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Assets that suffered impairment are reversed for possible impairment loss of the estimation of the recoverable amounts have changed in the subsequent period after SET and its subsidiaries have recognised impairment losses.

2.12 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 statements 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 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 expect a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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 provided in advance.

2. Accounting policies (Cont'd)

2.14 Employee benefits

2.14.1 SET and its subsidiaries operate a provident fund that is a defined contribution plan. The assets for 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 its subsidiaries' contributions to the provident fund are charged to the statements of revenues and expenses in the year to which they relate.

2.14.2 SET and its subsidiaries provide for post-employment retirement benefits, payable to employees under the labour laws applicable in Thailand. The liability in respect of employee benefits is measured, using the projected unit credit method which is calculated by an independent actuary in accordance with the actuarial technique. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using yield on the government bonds which have terms to maturity approximating the terms of related liability. The estimated future cash flows shall reflect employee salaries, turnover rate, mortality, length of service and other. Actuarial gains or losses will be recognised in the statements of revenues and expenses in the period to which they are related.

2.15 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 three months, SET and its subsidiaries consider the collectability 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 five 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.

2.16 Dividend

Dividends are recorded in the consolidated and SET's financial statements in the period in which they are approved by the shareholders.

2.17 Directors' remuneration

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

3. Financial risk management

3.1 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 of investing their funds at low-risk financial institutions which have a good return.

3.2 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 are; however, exposed to market risks as investor in financial instruments, and credit risk from the issuer of financial instruments. SET and its subsidiaries, therefore, have a policy of diversifying its investments and deposits to high credit financial institutions according to SET's regulations.

Investment policies of 2008 and 2007 are summarised as follows:

1. Investments in debt securities

Type of investments	Proportion of total investments in debt securities
- Government securities, debentures or bonds of state enterprises or entities incorporated by specific laws and guaranteed by Ministry of Finance	Unlimited amount
- Time deposits or NCD at commercial banks and promissory notes of finance companies 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 invested in debt securities	Not exceed 10% per mutual fund

2. Investments in equity securities

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

3. Financial risk management (Cont'd)

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

During 2008, the Board of Governors of SET approved two more types of investments which were property funds and foreign investment funds as follow:

1. Investments in property funds should not exceed 10% of project value, and amount to not more than 4% of total investments (2007: each investment not exceed 10% of project value and amount to not more than 5% of total investments).
2. Investments in foreign investment funds should not exceed 20% of total investments in the first half year and 6% of total investments in the second half year (2007: not exceed 5% of total investments in the first half year and 17% of total investments in the second half year).

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

3.3 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate to their fair values: cash and cash equivalents, cash guarantee for clearing system protection and dividend payable to holders, accounts receivable and accrued income, accrued interest receivables, accounts payable guarantee for clearing system protection and dividend payable to holders and accounts payable and accrued expenses. Fair value of short-term investments and long-term investments are disclosed in Note 7 and 11 respectively.

4. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment of receivable

SET and its subsidiaries maintain an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by SET and its subsidiaries' assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

4.2 Property and equipment and intangible assets

Management determines the estimated useful lives and residual values for SET and its subsidiaries' property and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values differ from previous estimations or it will write off or write down technically obsolete or assets which have been abandoned or sold.

4. Critical accounting estimates, assumptions and judgements (Cont'd)

4.3 Employee benefit

SET and its subsidiaries have committed to pay benefits to employees on retirement age. The present value of employee benefit liabilities recognised in the balance sheet is determined on an actuarial basis using various assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary inflation and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis SET and its subsidiaries determine the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, SET and its subsidiaries consider the interest rates of government bonds denominated in the currency in which the benefits will be paid.

5. Capital risk management

SET and its subsidiaries' objectives when managing capital are to safeguard SET and its subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to increase investors and stakeholders' confidence.

In order to maintain or adjust the capital structure, SET and its subsidiaries may adjust the amount of dividends paid to shareholders depend on subsidiaries' operating performance.

6. Early adoption of new accounting standard

Under the draft TAS "Employee Benefits", obligations relating to post-retirement benefits are accounted for by using the projected unit credit method. The benefit obligation is discounted using interest rate of government bonds denominated in the currency in which the benefits will be paid. The referred government bonds should have terms to maturity approximately equal to the terms of the related provident fund payments. Commencing in 2008, the benefit obligation liabilities are accounted based on the above mentioned method. The 2007 financial statements have been restated accordingly in compliance with the accounting standard.

The impacts on SET and its subsidiaries financial statements relating to the adoption of the new accounting policy are as follows:

	(Unit : Thousand Baht)	
	Consolidated	SET
Balance sheet as at 31 December 2007		
Increase in provision for retirement benefits	116,945	80,733
Decrease in general fund as at 1 January 2007	(101,405)	(69,833)
Decrease in general fund as at 31 December 2007	(116,945)	(80,733)
Statements of revenues and expenses for the year ended		
31 December 2007		
Increase in operating expenses	15,540	10,900

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7. Short-term investments

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Investments managed by SET				
General investments				
Savings accounts	510,510	255,389	465,827	255,388
Fixed deposit accounts	955,519	443,995	611,392	267,186
Promissory notes	-	50,000	-	50,000
Bills of exchange	-	50,000	-	50,000
	1,466,029	799,384	1,077,219	622,574
Investments in money market funds	718,904	468,007	718,904	457,843
Bonds and debentures due within one year (Note 11)	55,093	605,223	55,093	547,483
Other debt instruments	299,784	809,454	218,856	720,323
Total investments managed by SET	<u>2,539,810</u>	<u>2,682,068</u>	<u>2,070,072</u>	<u>2,348,223</u>
Investments managed by private funds				
General investments				
Savings accounts	24,284	22,133	23,594	21,891
Fixed deposit accounts	55,000	17,000	55,000	15,500
Other debt instruments	323,473	660,204	318,541	627,480
	402,757	699,337	397,135	664,871
Trading securities	2,383,340	1,930,342	2,277,709	1,847,856
Total investments managed by private funds	<u>2,786,097</u>	<u>2,629,679</u>	<u>2,674,844</u>	<u>2,512,727</u>
Total short-term investments	<u>5,325,907</u>	<u>5,311,747</u>	<u>4,744,916</u>	<u>4,860,950</u>

Investments managed by SET

Savings accounts bear interest rate of 0.125% - 1.75% per annum (2007: 0.50% - 2.50% per annum).

Fixed deposit accounts represent fixed deposit at banks which have maturity within 3 - 12 months and interest rates of 1.75% - 5.50% per annum (2007: 2.25% - 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

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 four open-ended funds (2007: four funds). The investment policy emphasizes the investments in short-term debt securities.

Bonds and debentures due within one year represent government bonds, state enterprise bonds, Bank of Thailand bonds and debentures which have yields of 4.63% - 6.30% per annum (2007: 2.43% - 5.50% per annum) and market yields of 1.96% - 3.57% per annum (2007: 3.15% - 3.75% per annum) The aggregated market value as at 31 December 2008 was Baht 56 million (2007: Baht 607 million).

Other debt instruments represent treasury bills and debentures (zero coupon) which have market yields of 2.01% - 2.26% per annum (2007: 3.05% - 3.52% per annum). The aggregated market value as at 31 December 2008 was Baht 300 million (2007: Baht 809 million).

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7. Short-term investments (Cont'd)

Investments managed by private funds

Investments in private funds are managed by three asset management companies. The investment policy for private funds is subject to SET's regulations on deposits at financial institutions and investments policy as described in Note 3- Financial risk management.

The investments in private funds are presented under short-term investments. In 2008, the rates of return on private funds are 4.68% - 7.46% per annum (2007: 4.32% - 10.40% per annum).

8. Accounts receivable and accrued income, net

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Accounts receivable	59,230	55,966	30,485	22,781
<u>Less</u> Allowance for doubtful accounts	(19,399)	(19,652)	(8,774)	(9,027)
	39,831	36,314	21,711	13,754
<u>Add</u> Accrued income	145,737	120,440	217,189	147,628
	<u>185,568</u>	<u>156,754</u>	<u>238,900</u>	<u>161,382</u>

Outstanding accounts receivable can be analysed as follows:

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Less than 3 months	39,831	35,392	21,711	13,751
3 - 6 months	1	859	-	3
6 - 12 months	-	-	-	-
Over 12 months	19,398	19,715	8,774	9,027
	59,230	55,966	30,485	22,781
<u>Less</u> Allowance for doubtful accounts	(19,399)	(19,652)	(8,774)	(9,027)
	<u>39,831</u>	<u>36,314</u>	<u>21,711</u>	<u>13,754</u>

As at 31 December 2008, SET ceased revenue recognition of five accounts receivable with overdue listing fees of Baht 5.59 million and Thailand Securities Depository Co., Ltd., a subsidiary, ceased revenue recognition of five accounts receivable with overdue registrar fees of Baht 8.03 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 represent 16.41% of total accounts receivable. 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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9. Other current assets

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Loans to employees	32,414	28,857	20,545	19,061
Prepaid expenses	28,307	40,731	31,038	46,667
VAT receivable	3,290	18,701	-	17,170
Restricted cash at bank				
Principal (Note 24.1 ii)	2,743	4,539	-	-
Interest	55	79	-	-
Cash guarantee under the lease obligation	-	68,946	-	68,946
Others	21,723	18,162	6,942	8,092
	<u>88,532</u>	<u>180,015</u>	<u>58,525</u>	<u>159,936</u>

10. Investments in subsidiaries and associate

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Opening net book amount	160,834	151,466	644,591	644,591
<u>Add</u> Share of net profit (loss)	(895)	9,368	-	-
Investment in mai Matching Fund Co., Ltd.	-	-	10,000	-
Closing net book amount	<u>159,939</u>	<u>160,834</u>	<u>654,591</u>	<u>644,591</u>

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10. 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	
			2008	2007
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 related to finance and investment knowledge through medias	Thailand	99.99	99.99
Thailand Futures Exchange Public Co., Ltd.	Futures exchange centre	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
mai Matching Fund Co., Ltd.	Joint invest with Fund or Venture Capital	Thailand	99.99	-

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

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

	Business	Country of incorporation	% Ownership interest	
			2008	2007
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	
			2008	2007
Clearing Fund	Fund	Thailand	21.76	23.26

SET has no control over Clearing Fund. Clearing Fund has been operated under Regulation of the Clearing Fund (No. 1) B.E. 2541 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		Investments			
	2008	2007	2008	2007	Cost method		Equity method	
				2008	2007	2008	2007	
Associate								
Clearing Fund	738,530	651,068	21.76	23.26	100,000	100,000	159,939	160,834

	(Unit : Thousand Baht)					
	SET					
	% Ownership interest		Book value at Cost		Dividends	
	2008	2007	2008	2007	2008	2007
Subsidiaries						
Thailand Securities Depository Co., Ltd.	99.99	99.99	200,000	200,000	-	40,000
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	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	-	-
mai Matching Fund Co., Ltd.	99.99	-	10,000	-	-	-
Associate						
Clearing Fund	21.76	23.26	100,000	100,000	-	-
			654,591	644,591	2,000	42,000

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11. Long-term investments

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Opening net book amount	6,795,998	6,695,487	6,781,998	6,649,051
Additions (disposals)	60,992	(441,146)	4,244	(408,124)
Unrealised gain (loss) on available-for-sale securities	(2,083,799)	541,657	(2,083,227)	541,071
<u>Less</u> Impairment losses	(50,000)	-	(50,000)	-
Closing net book amount	<u>4,723,191</u>	<u>6,795,998</u>	<u>4,653,015</u>	<u>6,781,998</u>

As at 31 December 2008, long-term investments are as follows:

	(Unit : Thousand Baht)			
	Consolidated			Total
	Available for sale	Held to maturity	General investments	
Investments in mutual funds				
General mutual funds	2,579,943	-	-	2,579,943
Property funds	271,419	-	-	271,419
Foreign investment funds	273,374	-	-	273,374
Bonds and debentures	-	888,368	-	888,368
Cash at banks by M.O.U.	-	-	407,649	407,649
Investments in specific-purpose funds	-	-	203,078	203,078
Fixed deposit accounts	-	-	57,024	57,024
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	12,336	12,336
	<u>3,124,736</u>	<u>888,368</u>	<u>710,087</u>	<u>4,723,191</u>

	(Unit : Thousand Baht)			
	SET			Total
	Available for sale	Held to maturity	General investments	
Investments in mutual funds				
General mutual funds	2,579,943	-	-	2,579,943
Property funds	268,419	-	-	268,419
Foreign investment funds	268,187	-	-	268,187
Bonds and debentures	-	833,403	-	833,403
Cash at banks by M.O.U.	-	-	407,649	407,649
Investments in specific-purpose funds	-	-	203,078	203,078
Fixed deposit accounts	-	-	50,000	50,000
Other debt instruments	-	-	30,000	30,000
Equity securities	-	-	12,336	12,336
	<u>3,116,549</u>	<u>833,403</u>	<u>703,063</u>	<u>4,653,015</u>

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11. Long-term investments (Cont'd)

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

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

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

Investments in mutual funds represent investments in 23 open-ended equity funds (2007: 32 funds), which have a policy of emphasising the investments in equity securities of listed companies.

Investments in property funds represent 11 closed-end mutual funds (2007: 8 funds). These funds are established for acquiring, leasing and transferring properties and/or their leasehold right and providing for income-generating properties. All these property fund units are listed and traded on The Stock Exchange of Thailand.

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11. Long-term investments (Cont'd)

Investments in foreign investment funds represent investments in 10 open-ended funds (2007: 11 funds), which the Feeder Fund has the policy to emphasise the investments in foreign equity securities.

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 3.73% - 6.10% per annum (2007: 3.87% - 6.30% per annum) and yields of 1.97% - 4.37% per annum (2007: 3.85% - 4.91% per annum). The aggregated market value at 31 December 2008 was Baht 986 million (2007: Baht 808 million).

Investments in bonds and debentures at 31 December 2008 will be due as follows:

	(Unit : Thousand Baht)			
	Consolidated			
	Due within (Year)			
	1	2 - 5	6 -10	Total
Government bonds	20,093	671,043	1,103	692,239
Bank of Thailand bonds	-	21,965	-	21,965
Foreign financial institution bonds	-	40,000	-	40,000
Debentures	35,000	154,257	-	189,257
	<u>55,093</u>	<u>887,265</u>	<u>1,103</u>	<u>943,461</u>
	(Unit : Thousand Baht)			
	SET			
	Due within (Year)			
	1	2 - 5	6 -10	Total
Government bonds	20,093	671,043	1,103	692,239
Foreign financial institution bonds	-	30,000	-	30,000
Debentures	35,000	131,257	-	166,257
	<u>55,093</u>	<u>832,300</u>	<u>1,103</u>	<u>888,496</u>

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11. Long-term investments (Cont'd)

Investments in bonds and debentures at 31 December 2007 will be due as follows:

	(Unit : Thousand Baht)			
	Consolidated			
	Due within (Year)			
	1	2 - 5	6 -10	Total
Government bonds	-	685,294	1,113	686,407
State enterprise bonds	99,722	-	-	99,722
Bank of Thailand bonds	345,833	-	-	345,833
Foreign financial institution bonds	-	40,000	-	40,000
Debentures	159,668	35,000	-	194,668
	<u>605,223</u>	<u>760,294</u>	<u>1,113</u>	<u>1,366,630</u>

	(Unit : Thousand Baht)			
	SET			
	Due within (Year)			
	1	2 - 5	6 -10	Total
Government bonds	-	685,294	1,113	686,407
State enterprise bonds	99,722	-	-	99,722
Bank of Thailand bonds	308,593	-	-	308,593
Foreign financial institution bonds	-	30,000	-	30,000
Debentures	139,168	35,000	-	174,168
	<u>547,483</u>	<u>750,294</u>	<u>1,113</u>	<u>1,298,890</u>

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11. Long-term investments (Cont'd)

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)	
	2008	2007	2008	2007	2008	2007
Government bonds	692,239	686,407	783,942	732,227	91,703	45,820
State enterprise bonds	-	99,722	-	100,559	-	837
Bank of Thailand bonds	21,965	345,833	22,520	346,862	555	1,029
Foreign financial institution bonds	40,000	40,000	40,682	39,482	682	(518)
Debentures	189,257	194,668	195,066	195,566	5,809	898
	943,461	1,366,630	1,042,210	1,414,696	98,749	48,066
<u>Less</u> Current portion (Note7)	(55,093)	(605,223)	(55,775)	(607,145)	(682)	(1,922)
	888,368	761,407	986,435	807,551	98,067	46,144

	(Unit : Thousand Baht)					
	SET					
	Amortised cost - net		Fair value		Unrealised gain (loss)	
	2008	2007	2008	2007	2008	2007
Government bonds	692,239	686,407	783,942	732,227	91,703	45,820
State enterprise bonds	-	99,722	-	100,559	-	837
Bank of Thailand bonds	-	308,593	-	309,597	-	1,004
Foreign financial institution bonds	30,000	30,000	30,512	29,611	512	(389)
Debentures	166,257	174,168	171,733	175,060	5,476	892
	888,496	1,298,890	986,187	1,347,054	97,691	48,164
<u>Less</u> Current portion (Note 7)	(55,093)	(547,483)	(55,775)	(549,374)	(682)	(1,891)
	833,403	751,407	930,412	797,680	97,009	46,273

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.

Investments in specific-purpose funds represent investment in three open-ended venture capital funds (2007: two funds). This investment is carried at cost under generally accepted accounting principles due to the redemption restriction for the first five years. Details are as follows:

1. In 2005, fund established by the government to strengthen and recover businesses which suffered from the tsunami disaster. The specific-purpose fund has a policy of investing 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 from the sixth year (2011) unless there is approval by the investment committee for redemption 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 from the sixth year (2013) when the fund dispose its assets, then no further re-investment.
3. In 2008, non-retail fund which mainly invests directly in businesses and industries which have potential growth. The fund is a long-term investment and has automatic redemption from the fourth year (2012).

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11. Long-term investments (Cont'd)

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

	(Unit : Thousand Baht)							
	Consolidated and SET							
	Funds		Cost		Fair value		Unrealised loss	
2008	2007	2008	2007	2008	2007	2008	2007	
Investment unit in specific - purpose fund	3	2	203,078	185,378	185,967	185,105	(17,111)	(273)

Fixed deposit accounts represent fixed deposit at banks which have maturity over one year and interest rates of 3.00% - 5.50% per annum (2007: 4.50% - 4.88% per annum).

Other debt instruments represent promissory notes and bills of exchange issued by financial institution which have maturity within six years and interest rates of 5.50% per annum (2007: 5.50% per annum).

Equity securities comprise:

	(Unit : Thousand Baht)				
	Paid-up capital	% Ownership interest		Consolidated and SET	
		2008	2007	2008	2007
Equity securities (other companies)					
TRIS Corporation Co., 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
<u>Less</u> Impairment losses				(50,000)	-
				<u>12,336</u>	<u>62,336</u>

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12. Property and equipment, net

(Unit : Thousand Baht)

	Consolidated					
	Land and land improvements	Work in process	Buildings & building improvements	Furniture fixtures & office equipment	Motor vehicles	Total
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>
Year ended 31 December 2008						
Opening net book amount	1,986,970	19,809	1,011,392	419,754	8,988	3,446,913
Additions	267,660	89,398	5,997	23,117	1,241	387,413
Disposals	-	-	(27)	(212)	(1,614)	(1,853)
Transfers	-	(19,800)	-	19,800	-	-
Depreciation charge	(114)	-	(60,165)	(150,503)	(3,024)	(213,806)
Closing net book amount	<u>2,254,516</u>	<u>89,407</u>	<u>957,197</u>	<u>311,956</u>	<u>5,591</u>	<u>3,618,667</u>
As at 31 December 2008						
Cost	2,254,685	89,407	1,319,359	1,041,649	15,244	4,720,344
<u>Less</u> Accumulated depreciation	(169)	-	(362,162)	(729,693)	(9,653)	(1,101,677)
Net book amount	<u>2,254,516</u>	<u>89,407</u>	<u>957,197</u>	<u>311,956</u>	<u>5,591</u>	<u>3,618,667</u>

At 31 December 2008, the initial cost of fully depreciated property and equipment of SET and its subsidiaries which are still in use amounted to Baht 375.58 million (2007: Baht 675.02 million).

(Unit : Thousand Baht)

	SET					
	Land and land improvements	Work in process	Buildings & building improvements	Furniture fixtures & office equipment	Motor vehicles	Total
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>
Year ended 31 December 2008						
Opening net book amount	1,986,970	19,809	1,008,230	360,928	8,988	3,384,925
Additions	267,660	89,398	5,842	17,882	428	381,210
Disposals	-	-	(27)	(114)	(801)	(942)
Transfers	-	(19,800)	-	19,800	-	-
Depreciation charge	(114)	-	(59,681)	(127,563)	(3,024)	(190,382)
Closing net book amount	<u>2,254,516</u>	<u>89,407</u>	<u>954,364</u>	<u>270,933</u>	<u>5,591</u>	<u>3,574,811</u>
As at 31 December 2008						
Cost	2,254,685	89,407	1,314,473	861,590	15,244	4,535,399
<u>Less</u> Accumulated depreciation	(169)	-	(360,109)	(590,657)	(9,653)	(960,588)
Net book amount	<u>2,254,516</u>	<u>89,407</u>	<u>954,364</u>	<u>270,933</u>	<u>5,591</u>	<u>3,574,811</u>

At 31 December 2008, the initial cost of fully depreciated property and equipment of SET which are still in use amounted to Baht 299.81 million (2007: Baht 583.67 million).

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

According to certain conditions under the land lease agreement, the legal ownership of buildings and building improvements has been transferred to the landlord at the completion of building since 1998. However, SET has the right to use the buildings over a period of 30 years as described in Note 24.2: Long-term land lease.

13. Intangible assets, net

	(Unit : Thousand Baht)			
	Consolidated			
	Work in process	Software	Patent and operating rights	Total
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>
For the year ended 31 December 2008				
Opening net book amount	118,306	424,100	12,409	554,815
Additions	8,825	18,861	-	27,686
Disposal	-	(1)	(10,594)	(10,595)
Transfers	(96,825)	96,825	-	-
Amortisation charge	-	(141,260)	(614)	(141,874)
Closing net book amount	<u>30,306</u>	<u>398,525</u>	<u>1,201</u>	<u>430,032</u>
As at 31 December 2008				
Cost	30,306	833,564	2,000	865,870
<u>Less</u> Accumulated amortisation	-	(435,039)	(799)	(435,838)
Net book amount	<u>30,306</u>	<u>398,525</u>	<u>1,201</u>	<u>430,032</u>

At 31 December 2008, the initial cost of fully amortised intangible assets of SET and its subsidiaries which are still in use amounted to Baht 162.95 million (2007: Baht 171.80 million).

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13. Intangible assets, net (Cont'd)

	(Unit : Thousand Baht)			
	SET			
	Work in process	Software	Patent and operating rights	Total
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>
Year ended 31 December 2008				
Opening net book amount	117,024	379,822	11,009	507,855
Additions	8,825	17,915	-	26,740
Disposal	-	(1)	(10,594)	(10,595)
Transfers	(95,543)	95,543	-	-
Amortisation charge	-	(127,959)	(415)	(128,374)
Closing net book amount	<u>30,306</u>	<u>365,320</u>	<u>-</u>	<u>395,626</u>
As at 31 December 2008				
Cost	30,306	727,984	-	758,290
<u>Less</u> Accumulated amortisation	-	(362,664)	-	(362,664)
Net book amount	<u>30,306</u>	<u>365,320</u>	<u>-</u>	<u>395,626</u>

At 31 December 2008, the initial cost of fully amortised intangible assets of SET which are still in use amounted to Baht 120.62 million (2007: Baht 116.59 million).

Work in process principally comprises direct expenses of developing projects in Member Back Office Services Bureau system.

14. Margin deposits and benefits

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 margin deposits as the guarantee according to rate or amount called by TCH. TCH may invest the proceeds of margins according to 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 2008, the margin deposits placed by members amounting to Baht 1,897.25 million (2007: Baht 1,394.01 million) were deposited in saving accounts and fixed deposit accounts with maturity not more than one year and the accrued benefits amounted to Baht 4.66 million (2007: Baht 6.10 million), totalling Baht 1,901.91 million (2007: Baht 1,400.11 million).

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15. Assets and benefits for the clearing system protection

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 defaults or other incidents made by members.

Assets for the clearing system protection comprise:

15.1 Security Deposit

Members of TCH are required to place a Security Deposit according to the announcement made by TCH (current Security Deposit amount is Baht 5 million per member). TCH shall invest the proceeds of Security Deposit and return benefits derived from those Security Deposit, after deducting management fee, to members in accordance with announced rate and procedures. Assets held as Security Deposit will be returned to member after membership termination.

15.2 Clearing Fund

The Clearing Fund comprises contributions from:

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

Contributions and benefits on contributions are the right of the payers according to the proportions of their contributions. When the membership is terminated, the member's contributions and benefits on contributions will be returned.

As at 31 December 2008 and 2007, details of assets and benefits for the clearing system protection comprise:

	(Unit : Thousand Baht)					
	Consolidated					
	Security Deposit		Clearing Fund		Total	
	2008	2007	2008	2007	2008	2007
Investments managed by the company	258,142	185,166	1	4	258,143	185,170
Investments managed by private funds						
Savings accounts	491	449	240	420	731	869
Other debt instruments	60,700	65,467	115,000	55,467	175,700	120,934
Trading securities	122,902	59,000	210,081	187,743	332,983	246,743
	442,235	310,082	325,322	243,634	767,557	553,716
Accrued interest receivables	2,574	2,753	4,316	3,962	6,890	6,715
Other assets	203	67	1,366	1,791	1,569	1,858
Total	445,012	312,902	331,004	249,387	776,016	562,289

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15. Assets and benefits for the clearing system protection (Cont'd)

Assets and benefits for the clearing system protection payable comprise:

	(Unit : Thousand Baht)	
	Consolidated	
	2008	2007
Security Deposit and benefits		
Contributions	435,000	310,000
Benefits (distribution to members every six months)	10,012	2,902
	<u>445,012</u>	<u>312,902</u>
Clearing Fund and benefits		
Contributions	199,061	130,611
Benefits	16,299	8,420
	<u>215,360</u>	<u>139,031</u>
Total	<u>660,372</u>	<u>451,933</u>

16. Provision for retirement benefits

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Balance sheet obligations	133,723	116,945	92,502	80,733
Charge in the statements of revenues and expenses	16,778	15,540	11,769	10,900

The amounts recognised in the balance sheets are determined as follows:

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Present value of obligations	133,723	116,945	92,502	80,733
Liability in the balance sheets	<u>133,723</u>	<u>116,945</u>	<u>92,502</u>	<u>80,733</u>

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16. Provision for retirement benefits (Cont'd)

The movement in the defined benefit obligation over the year is as follows:

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Beginning balance	116,945	101,405	80,733	69,833
Current service costs	11,515	10,977	8,136	7,758
Interest costs	5,263	4,563	3,633	3,142
Ending balance	<u>133,723</u>	<u>116,945</u>	<u>92,502</u>	<u>80,733</u>

The amounts recognised in the statements of revenues and expenses are as follows:

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	Restated 2007	2008	Restated 2007
Current service costs	11,515	10,977	8,136	7,758
Interest costs	5,263	4,563	3,633	3,142
Total	<u>16,778</u>	<u>15,540</u>	<u>11,769</u>	<u>10,900</u>

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate as of 31 December	4.50%	4.50%
Salary increase rate - permanent employee	6.00%	6.00%
Salary increase rate - contract employee	4.50%	4.50%
Average turnover rate	6.40%	6.40%
Pre-retirement mortality rate	0.11% - 1.48%	0.11% - 1.48%
Retirement age	60 years old	60 years old

17. Fund balances

Fund balances comprise:

17.1 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, which operated by a subsidiary of SET, in order to resolve liquidity risk in the event of default on clearing and settlement from securities trading in SET.

17. Fund balances (Cont'd)

17.2 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 contingent loss from clearing and settlement system of futures contracts at Thailand Clearing House Company Limited, a subsidiary of Thailand Securities Depository Company Limited.

17.3 Indemnity Fund

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

17.4 SET Building Construction Fund

In 1992, the Board of Governors of SET approved an appropriation of general fund of Baht 580 million for the construction of SET buildings. The office buildings were completely constructed in 1998. The remaining fund of Baht 246.33 million is reserved for further construction of parking building.

In 2008, the Board of Governors of SET approved SET to build the car park building with the above-mentioned remaining fund. The total construction cost paid in 2008 amounted to Baht 6.61 million.

17.5 Staff Welfare Fund

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

17.6 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 of investors in trading listed securities at SET through the members of SIPF. As at 31 December 2008, the number of SIPF members was 33 (2007: 33).

17. Fund balances (Cont'd)

17.6 Securities Investor Protection Fund (Cont'd)

The assets of SIPF comprise:

1. the initial fund from SET of Baht 300 million which 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 which are in the custody of the securities brokers who are members 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 in the following cases:

1. If any SIPF member is in receivership under the Bankruptcy Acts or
2. If there are disputes concerning the purchase or sale of listed securities in SET between investors and any 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 regardless who makes investment decision.

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 and SET	
	2008	2007
Assets		
Current assets		
Cash and investments	306,160	367,388
Contributions due from members	2,251	2,346
Accrued interest receivables	2,363	2,900
Total current assets	310,774	372,634
Non-current asset		
Long-term investments	182,741	70,777
Total assets	493,515	443,411

17. Fund balances (Cont'd)

17.6 Securities Investor Protection Fund (Cont'd)

SIPF balance sheets as at 31 December comprise: (Cont'd)

	(Unit : Thousand Baht)	
	Consolidated and SET	
	2008	2007
Liabilities and fund balances		
Non-current liabilities		
Contributions from members	134,554	101,444
Benefits on contributions from members	10,433	6,037
Other non-current liabilities	483	-
Total non-current liabilities	<u>145,470</u>	<u>107,481</u>
Fund balances		
Initial fund	300,000	300,000
Fund balances	48,045	35,930
Total fund balances	<u>348,045</u>	<u>335,930</u>
Total liabilities and fund balances	<u>493,515</u>	<u>443,411</u>

SIPF's statements of revenues and expenses for the year ended 31 December 2008 and 2007 are presented in Note 18: Results of funds operation.

17.7 SET's 30th Anniversary Charity Fund

In 2004, the Board of Governors of SET approved an appropriation of membership fees of Baht 100 million to establish a charity fund on the occasion of SET's 30th anniversary. The purpose of the fund is mainly to contribute to SET's neighboring communities and universities through SET university networking on youth development, sports and education projects. This fund was fully used in 2008.

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18. 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 2008					
Revenues					
Fees and service revenues	-	-	-	1,563,487	1,563,487
Investment income, net	1,061	12,391	-	612,513	625,965
Other revenues	-	-	-	643,362	643,362
Total revenues	1,061	12,391	-	2,819,362	2,832,814
Expenses					
Operating expenses	-	39	-	2,482,321	2,482,360
Donation and social contribution	-	-	8,713	87,643	96,356
Income tax	-	-	-	48,617	48,617
Total expenses	-	39	8,713	2,618,581	2,627,333
Revenues over (under) expenses	1,061	12,352	(8,713)	200,781	205,481
For the year ended 31 December 2007					
Revenues					
Fees and service revenues	-	-	-	1,538,370	1,538,370
Investment income, net	2,825	13,412	-	1,031,959	1,048,196
Other revenues	-	-	-	479,760	479,760
Total revenues	2,825	13,412	-	3,050,089	3,066,326
Expenses					
Operating expenses	-	35	-	2,924,225	2,924,260
Donation and social contribution	-	-	1,348	48,112	49,460
Income tax	-	-	-	38,212	38,212
Total expenses	-	35	1,348	3,010,549	3,011,932
Revenues over (under) expenses	2,825	13,377	(1,348)	39,540	54,394

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18. Results of funds operation (Cont'd)

	(Unit : Thousand Baht)				Total
	SET			General Fund	
	Staff Welfare Fund	Securities Investor Protection Fund (SET's portion)	SET's 30 th Anniversary Charity Fund		
For the year ended 31 December 2008					
Revenues					
Fees and service revenues	-	-	-	1,297,703	1,297,703
Investment income, net	1,061	12,391	-	584,697	598,149
Other revenues	-	-	-	298,247	298,247
Total revenues	1,061	12,391	-	2,180,647	2,194,099
Expenses					
Operating expenses	-	39	-	1,985,980	1,986,019
Donation and social contribution	-	-	8,713	85,757	94,470
Total expenses	-	39	8,713	2,071,737	2,080,489
Revenues over (under) expenses	1,061	12,352	(8,713)	108,910	113,610
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	-	2,286,262	2,286,297
Donation and social contribution	-	-	1,348	45,439	46,787
Total expenses	-	35	1,348	2,331,701	2,333,084
Revenues over (under) expenses	2,825	13,377	(1,348)	(15,981)	(1,127)

19. Investment income, net

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Interest income	301,501	297,561	210,806	233,709
<u>Less</u> Interest expenses				
- Borrowings from subsidiaries (Note 23 iv)	-	-	(8,851)	(8,721)
- Assets for the clearing system - members' portion	(67,133)	(39,202)	-	-
- Others	(741)	(962)	(741)	(962)
Interest income, net	233,627	257,397	201,214	224,026
Dividend income from				
- Mutual funds	200,288	377,361	200,288	377,160
- Subsidiaries (Note 10)	-	-	2,000	42,000
- Others entities	12,521	9,785	12,521	9,785
Realised gain from investments	158,278	372,889	157,357	372,102
Unrealised gain from investments	58,860	17,352	62,378	9,018
Impairment losses (Note 11)	(50,000)	-	(50,000)	-
Investment income, net	613,574	1,034,784	585,758	1,034,091

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20. Other revenues

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Revenues from clearing house	99,235	73,526	-	-
Revenues from membership fees	93,973	92,050	43,638	57,064
Information service revenues	83,284	77,149	71,087	64,490
Compensation revenue from lease contracts	68,946	-	68,946	-
Revenues from Thailand Securities Institute	58,795	32,633	58,795	32,633
Service and advertising production revenues	52,619	90,817	-	-
Customisation and IT support fee	32,867	20,420	17,296	-
Member fines	20,952	19,882	16,623	8,095
Other revenues	84,936	54,572	65,500	39,327
Total	595,607	461,049	341,885	201,609

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

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

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

22. Other expenses

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Repair and maintenance expenses	88,399	91,414	104,353	108,810
Contribution to capital market institutions	63,267	34,074	66,361	37,916
Commercial training & seminar of capital market education	21,296	18,419	21,318	18,442
Stationery and registrar forms	20,883	30,585	5,945	8,820
Working overseas expenses	13,069	15,382	7,954	12,902
Outsource expenses	13,056	12,514	9,186	8,044
Other expenses	114,178	112,150	79,239	71,954
Total	334,148	314,538	294,356	266,888

23. 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.

The following significant transactions were carried out with related parties:

i) Sales of services

	(Unit : Thousand Baht)	
	SET	
	2008	2007
Subsidiaries		
Thailand Securities Depository Co., Ltd.	412,074	340,411
Thailand Futures Exchange Public Co., Ltd.	129,941	44,595
SETTRADE.COM Co., Ltd.	62,185	23,782
Thai Trust Fund Management Co., Ltd.	4,800	6,000
Family Know-how Co., Ltd.	8,669	5,339
Thai NVDR Co., Ltd.	500	-
	<u>618,169</u>	<u>420,127</u>

Pricing policy

SET charges services rendered to subsidiaries according to agreed rates.

ii) Purchases of services

	(Unit : Thousand Baht)	
	SET	
	2008	2007
Subsidiaries		
Family Know-how Co., Ltd.	72,328	143,459
SETTRADE.COM Co., Ltd.	43,418	44,412
Thai NVDR Co., Ltd.	1,500	1,500
Thailand Securities Depository Co., Ltd.	803	118
	<u>118,049</u>	<u>189,489</u>

Pricing policy

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

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23. Related party transactions (Cont'd)

iii) Outstanding balances arising from purchases/sales of services

	(Unit : Thousand Baht)	
	SET	
	2008	2007
Receivables, accrued income and other assets from:		
Subsidiaries:		
Thailand Securities Depository Co., Ltd.	71,155	50,945
Thailand Futures Exchange Public Co., Ltd.	67,077	45,679
SETTRADE.COM Co., Ltd.	55,315	24,765
Family Know-how Co., Ltd.	6,498	7,639
Thai Trust Fund Management Co., Ltd.	-	1,284
	<u>200,045</u>	<u>130,312</u>
Payables, accrued expenses and other liabilities to:		
Subsidiaries:		
SETTRADE.COM Co., Ltd.	5,518	8,148
Thailand Securities Depository Co., Ltd.	5,139	5,814
Family Know-how Co., Ltd.	4,258	15,906
Thailand Futures Exchange Public Co., Ltd.	946	1,004
	<u>15,861</u>	<u>30,872</u>

iv) Borrowings from subsidiaries and interest expenses

SET and its subsidiaries have a policy of centralising the investments of the Group and managed by SET in order to increase the efficiency of the overall returns. SET will borrow from its subsidiaries in the form of promissory notes which have maturity within one year with interest rate that referred to the deposit rate of financial institutions. The interest rate of 2008 is 3.25% - 3.50% per annum (2007: 4.00% per annum). SET records interest expenses as part of net investment income (Note 19) in the statements of revenues and expenses.

Borrowings from subsidiaries and interest expenses are as follows:

	(Unit : Thousand Baht)	
	SET	
	2008	2007
Borrowings from subsidiaries		
Thailand Futures Exchange Public Co., Ltd.	205,000	110,000
Thai Trust Fund Management Co., Ltd.	102,450	93,450
Thai NVDR Co., Ltd.	18,200	9,200
Siam DR Co., Ltd	9,200	9,200
mai Matching Fund Co., Ltd.	9,000	-
	<u>343,850</u>	<u>221,850</u>
Interest expenses		
Thailand Futures Exchange Public Co., Ltd.	4,754	4,247
Thai Trust Fund Management Co., Ltd.	3,295	3,738
Thai NVDR Co., Ltd.	358	368
Siam DR Co., Ltd.	322	368
mai Matching Fund Co., Ltd.	122	-
	<u>8,851</u>	<u>8,721</u>

23. Related party transactions (Cont'd)

v) Contributions to subsidiary

In 2008, SET contributed Baht 12 million to Family Know-how Co., Ltd. to support its business operation (2007: Baht 1.92 million).

vi) Contributions for The Stock Exchange of Thailand Foundation

In 2006, the Board of Governors of SET approved the establishment of The Stock Exchange of Thailand Foundation (SOF) and the Board of Governors of SET will be appointed as director of the Board of SOF. In addition, the Board of Governors approved the appropriation of one - third of revenues over expenses of SET each year to the SOF for its social activities.

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 affecting Thai youth and Thai society. In addition, the activities support projects and programmes relating to education.

In 2008, SET has appropriated its annual revenues over expenses to SOF of Baht 56.80 million (2007: Baht 4.89 million).

vii) Directors and management's remuneration

The directors and committees' remuneration, which represented director fees, other fees for the Board of Governors and the Board of Directors of subsidiaries, and the fees received as members of sub-committees, for the year 2008 approximated Baht 24.46 million (2007: Baht 28.95 million).

The management's remuneration, which represented salary and other benefits of high-level management of SET and its subsidiaries for the year 2008 approximated Baht 122.38 million (2007: Baht 144.29 million).

24. Contingent liabilities and commitments

24.1 Contingent liabilities

i) SET

As at 31 December 2008, SET had letters of guarantee issued by banks of Baht 3.89 million (2007: Baht 3.89 million) in respect of electricity usage in the ordinary course of business from which management anticipates that no material liabilities will arise.

SET has issued a letter of comfort to a bank in respect of an overdraft credit line of Baht 1,500 million (2007: Baht 1,500 million) granted to Thailand Securities Depository Co., Ltd. (TSD), a subsidiary. 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 debt to the bank. As at 31 December 2008, the overdraft credit line had not yet been drawn down.

24. Contingent liabilities and commitments (Cont'd)

24.1 Contingent liabilities (Cont'd)

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 of Baht 200 million (2007: Baht 200 million) granted to Thailand Clearing House Co., Ltd. (TCH), a subsidiary of TSD. 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 2008, the overdraft credit line had not yet been drawn down.

Family Know-how Co., Ltd. had letters of guarantee of Baht 2.74 million (2007: Baht 4.54 million) issued by banks in respect of the normal business operation that were guaranteed by the fixed deposit account (Note 9).

In addition, **SET and its subsidiaries** are defendants in various pending legal cases with third parties 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.

24.2 Long-term land lease

In 1998, 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 will expire at the end of July 2028. Under the lease terms, the 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.

Thereafter, such company has been suffering financial difficulties and has not been able to pay the rent since 1994. Then, in 2006 the lessor sued SET and this company, requesting settlement the outstanding rent and movement the assets away from building area as well as payment for the damage.

In 2008, the lessor and SET entered into a compromise agreement in order to resolve all disputed issues. SET, then, has agreed to pay the rent outstanding from 1994 and to enter into the new lease agreement directly with the lessor for the remaining 21 years of lease period, worth a total of Baht 315.44 million. This land will be used for construction of SET's car park. The details rental fees per the lease agreement are as follow:

<u>Year</u>	<u>Lease period</u>	<u>(Unit : Thousand Baht)</u> <u>Rent fee per year</u>
1	5 July 2007 - 4 July 2008	11,000
2	5 July 2008 - 4 July 2009	11,401
3 - 5	5 July 2009 - 4 July 2012	11,687
6 - 10	5 July 2012 - 4 July 2017	13,525
11 - 15	5 July 2017 - 4 July 2022	15,679
16 - 20	5 July 2022 - 4 July 2027	18,177
21	5 July 2027 - 4 July 2028	21,072

24. Contingent liabilities and Commitments (Cont'd)

24.3 Operating lease

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

	(Unit : Thousand Baht)			
	Consolidated		SET	
	2008	2007	2008	2007
Up to 1 year	13,749	14,514	13,289	10,472
1 - 3 years	14,149	22,359	13,596	15,995
3 - 5 years	935	2,153	935	1,466
	<u>28,833</u>	<u>39,026</u>	<u>27,820</u>	<u>27,933</u>

In addition, SET and its subsidiaries have approximate commitments of Baht 308 million (2007: Baht 20 million) in respect of the construction of the multi-purpose building and car park.

25. Post balance sheet event

The Board of Governors meeting held on 4 February 2009 approved the budget of Baht 250 million to invest in the restructuring plan of Thailand Securities Finance Corporation (TSFC). As suggested by an independent financial advisor after studying the possibility of the restructuring plan, TSFC must receive cooperation from its existing and new shareholders in its operation and management. The restructuring plan must also be approved by all creditors. SET will invest the aforementioned budget only when TSFC has new investment funds of not less than Baht 800 million of which Baht 150 million or more is from the members of the Association of Securities Companies. Moreover, TSFC must have additionally new capital resources to support the business expansion and operation.