

Capital Nomura Securities Public Company Limited  
Report and interim financial statements  
30 June 2013

## **Independent Auditor's Report**

To the Shareholders of Capital Nomura Securities Public Company Limited

### **Report on Audit of financial statements**

I have audited the accompanying financial statements of Capital Nomura Securities Public Company Limited, which comprise the statement of financial position as at 30 June 2013, and the related statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Nomura Securities Public Company Limited as at 30 June 2013, and their financial performance and cash flows the six-month period then ended in accordance with Thai Financial Reporting Standards.

### **Report on Review of Interim Financial Information**

I have reviewed the statement of comprehensive income for the three-month period ended 30 June 2013 of Capital Nomura Securities Public Company Limited. Management is responsible for the preparation and presentation of this interim statement of comprehensive income in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim statement of comprehensive income based on my review.

### **Scope of Review**

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

## **Conclusion**

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

Somjai Khunapasut

Certified Public Accountant (Thailand) No. 4499

Ernst & Young Office Limited

Bangkok: 14 August 2013

**Capital Nomura Securities Public Company Limited**

**Statement of financial position**

**As at 30 June 2013**

		(Unit: Baht)	
	Note	30 June 2013	31 December 2012
<b>Assets</b>			
Cash and cash equivalents	7	2,225,205,794	440,270,969
Deposits at financial institutions	8	-	-
Receivables from Clearing House	9	1,345,162,634	490,606,208
Securities and derivatives business receivables - net	10	7,644,980,498	7,969,481,467
Derivatives assets	11	34,910,000	-
Investments - net	12	321,623,559	15,597,246
Premises and equipment - net	13	108,234,353	113,679,539
Intangible assets - net	14	14,202,934	11,835,537
Deferred tax assets	15	48,751,903	44,893,598
Other assets - net	16	193,375,615	163,747,053
<b>Total assets</b>		<u>11,936,447,290</u>	<u>9,250,111,617</u>

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

**Capital Nomura Securities Public Company Limited****Statement of financial position (Continued)****As at 30 June 2013**

(Unit: Baht)

	Note	30 June 2013	31 December 2012
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from financial institutions	17	1,020,000,000	2,200,000,000
Payables to Clearing House	18	396,550	551,615,871
Securities and derivatives business payables	19	3,761,367,185	2,570,197,639
Borrowings	20	1,563,375,000	-
Provisions for long-term employee benefits	21	50,860,370	49,826,271
Deferred tax liabilities	15	123,357	129,080
Other liabilities	22	274,570,448	208,097,978
<b>Total liabilities</b>		<b>6,670,692,910</b>	<b>5,579,866,839</b>
<b>Equity</b>			
Share capital			
Registered, issued and paid-up	23		
2,150,469,000 ordinary shares of Baht 1 each			
(31 December 2012: 71,682,300 ordinary shares			
of Baht 10 each)		2,150,469,000	716,823,000
Premium on share capital		2,131,833,600	2,131,833,600
Premium on treasury stock		1,487,250	1,487,250
Other components of equity - revaluation			
deficit on investments	12.2	(536,364)	(60,036)
Retained earnings			
Appropriated - statutory reserve	24	72,000,000	72,000,000
- general reserve		215,000,000	215,000,000
Unappropriated		695,500,894	533,160,964
<b>Total equity</b>		<b>5,265,754,380</b>	<b>3,670,244,778</b>
<b>Total liabilities and equity</b>		<b>11,936,447,290</b>	<b>9,250,111,617</b>

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

Directors

**Capital Nomura Securities Public Company Limited**

**Statements of comprehensive income**

**For the three-month and six-month periods ended 30 June 2013**

(Unit: Baht)

	Note	For the three-month periods		For the six-month periods	
		ended 30 June		ended 30 June	
		2013	2012	2013	2012
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)	(Audited)
<b>Profit or loss:</b>					
<b>Revenue</b>					
Brokerage fees	26	297,967,890	161,418,537	672,309,465	334,937,935
Fees and service income	27	23,594,237	28,071,286	58,694,482	39,491,246
Gain (loss) on securities	12.3	2,699,806	(1,766,250)	817,695	(1,067,671)
Loss on derivatives		(127,900)	(6,680)	(14,053,800)	(6,980)
Interest and dividend		23,277,036	15,852,762	42,612,735	33,166,773
Interest on margin loans		81,770,889	48,269,859	165,673,062	93,628,527
Other income		1,839,592	1,169,178	2,779,189	2,058,486
<b>Total revenue</b>		<b>431,021,550</b>	<b>253,008,692</b>	<b>928,832,828</b>	<b>502,208,316</b>
<b>Expenses</b>					
Financial costs		40,746,734	14,985,957	79,995,749	27,717,690
Fees and services expenses		25,197,703	17,034,445	55,088,564	33,749,702
Operating expenses					
Personnel expenses		151,162,155	115,730,234	323,646,227	227,669,654
Premises and equipment expenses		39,686,711	36,495,699	78,559,778	72,734,899
Directors' remuneration	28	2,621,500	1,193,167	2,938,000	1,599,667
Other expenses		21,940,160	21,215,970	42,062,314	41,917,812
Total operating expenses		215,410,526	174,635,070	447,206,319	343,922,032
<b>Total expenses</b>		<b>281,354,963</b>	<b>206,655,472</b>	<b>582,290,632</b>	<b>405,389,424</b>
<b>Profit before income tax</b>		<b>149,666,587</b>	<b>46,353,220</b>	<b>346,542,196</b>	<b>96,818,892</b>
Income tax	15	(29,962,944)	(12,334,354)	(69,536,986)	(24,300,653)
<b>Profit for the period</b>		<b>119,703,643</b>	<b>34,018,866</b>	<b>277,005,210</b>	<b>72,518,239</b>
<b>Other comprehensive income:</b>					
Gain (loss) on re-measuring					
available-for-sale investments		(633,226)	53,435	(595,410)	(763,930)
Income tax relating to gain (loss) on re-measuring					
available-for-sale investments	15	126,645	18,443	119,082	206,437
Other comprehensive income (loss)		(506,581)	71,878	(476,328)	(557,493)
<b>Total comprehensive income for the period</b>		<b>119,197,062</b>	<b>34,090,744</b>	<b>276,528,882</b>	<b>71,960,746</b>
<b>Basic earnings per share</b>					
	30				
Profit for the period		0.14	0.05	0.35	0.11
Weighted average number of ordinary shares (Shares)		874,366,516	683,951,000	796,029,961	683,951,000

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

**Capital Nomura Securities Public Company Limited**

**Statement of changes in equity**

**For the six-month period ended 30 June 2013**

(Unit: Baht)

	Issued and paid-up share capital	Premium on share capital	Premium on treasury stock	Other components of equity - revaluation surplus (deficit) on investments	Retained earnings					Treasury stock	Total
					Appropriated				Unappropriated		
					Statutory reserve	General reserve	Treasury stock reserve				
<b>Balance - as at 1 January 2012</b>	716,823,000	2,131,833,600	-	1,377,046	72,000,000	215,000,000	96,993,325	282,366,487	(96,993,325)	3,419,400,133	
Dividend paid (Note 31)	-	-	-	-	-	-	-	(34,189,300)	-	(34,189,300)	
Total comprehensive income (loss) for the period	-	-	-	(557,493)	-	-	-	72,518,239	-	71,960,746	
<b>Balance - as at 30 June 2012</b>	<u>716,823,000</u>	<u>2,131,833,600</u>	<u>-</u>	<u>819,553</u>	<u>72,000,000</u>	<u>215,000,000</u>	<u>96,993,325</u>	<u>320,695,426</u>	<u>(96,993,325)</u>	<u>3,457,171,579</u>	
<b>Balance - as at 1 January 2013</b>	716,823,000	2,131,833,600	1,487,250	(60,036)	72,000,000	215,000,000	-	533,160,964	-	3,670,244,778	
Increase share capital (Note 23)	1,433,646,000	-	-	-	-	-	-	-	-	1,433,646,000	
Dividend paid (Note 31)	-	-	-	-	-	-	-	(114,665,280)	-	(114,665,280)	
Total comprehensive income (loss) for the period	-	-	-	(476,328)	-	-	-	277,005,210	-	276,528,882	
<b>Balance - as at 30 June 2013</b>	<u>2,150,469,000</u>	<u>2,131,833,600</u>	<u>1,487,250</u>	<u>(536,364)</u>	<u>72,000,000</u>	<u>215,000,000</u>	<u>-</u>	<u>695,500,894</u>	<u>-</u>	<u>5,265,754,380</u>	

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

**Capital Nomura Securities Public Company Limited**

**Statements of cash flows**

**For the six-month period ended 30 June 2013**

	(Unit: Baht)	
	2013	2012
<b>Cash flows from operating activities</b>		
Profit before income tax	346,542,196	96,818,892
Adjustments to reconcile profit before income tax to net cash provided by (paid from) operating activities		
Depreciation and amortisation	27,148,285	26,261,364
Gain on securities	(3,707,311)	(770,142)
Loss on derivatives/exchange rate	14,040,000	-
Reversal of loss on impairment of securities	-	(10,000)
Loss (gain) on disposal of equipment	(109,980)	78
Interest and dividend income	(42,612,735)	(33,166,773)
Interest income from margin loans	(165,673,062)	(93,628,527)
Others interest income	(958,026)	(894,742)
Financial costs	79,995,749	27,717,690
Cash received from interest	16,775,506	25,928,520
Cash received from interest on margin loans	164,221,756	92,355,384
Cash received from other interest	963,098	911,632
Cash paid for interest expenses (included other financial costs)	(63,671,009)	(34,491,690)
Cash paid for income tax	(48,246,942)	(41,315,483)
Income from operating activities before changes in operating assets and liabilities	324,707,525	65,716,203
Operating assets (increase) decrease		
Receivables from Clearing House	(854,556,426)	(168,133,764)
Securities and derivatives business receivables	326,230,415	(1,809,882,272)
Other assets	(7,974,995)	(39,626,605)
Operating liabilities increase (decrease)		
Borrowings from financial institutions	(1,180,000,000)	300,000,000
Payables to Clearing House	(551,219,321)	638,247,639
Securities and derivatives business payables	1,189,601,719	925,573,602
Borrowings	1,484,500,000	-
Provisions for long-term employee benefits	1,034,099	2,161,406
Other liabilities	30,202,071	2,061,666
<b>Net cash from (used in) operating activities</b>	<b>762,525,087</b>	<b>(83,882,125)</b>

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

**Capital Nomura Securities Public Company Limited****Statements of cash flows (Continued)**

For the six-month period ended 30 June 2013

	(Unit: Baht)	
	2013	2012
<b>Cash flows from investing activities</b>		
Cash paid for purchase of available-for-sale securities	(7,213,889,193)	(76,000)
Cash received from disposal of available-for-sale securities	6,907,833,778	302,478,756
Net cash received (net cash paid) for held-to maturity debt securities	1,844,358	(683,448)
Cash received from disposal of other investments	-	5,000
Cash received from interest and dividend	20,893,751	5,738,830
Cash paid for acquisition of equipment	(10,133,943)	(9,655,095)
Cash received from sales of equipment	110,458	-
Cash paid for acquisition of intangible assets	(3,230,191)	(2,476,943)
<b>Net cash from (used in) investing activities</b>	<b>(296,570,982)</b>	<b>295,331,100</b>
<b>Cash flows from financing activities</b>		
Proceed from increase in share capital	1,433,646,000	-
Dividends paid	(114,665,280)	-
<b>Net cash provided by financing activities</b>	<b>1,318,980,720</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,784,934,825</b>	<b>211,448,975</b>
Cash and cash equivalents at the beginning of the period	440,270,969	235,885,610
<b>Cash and cash equivalents at the end of the period</b>	<b>2,225,205,794</b>	<b>447,334,585</b>
<b>Supplemental cash flows information</b>		
Non-cash transactions		
Accounts payable for purchase of fixed assets and intangible assets	10,261,546	579,514

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

**Capital Nomura Securities Public Company Limited**  
**Notes to interim financial statements**  
**For the six-month period ended 30 June 2013**

**1. General information**

Capital Nomura Securities Public Company Limited ("the Company") is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the securities with business of securities brokerage, securities dealing, securities borrowing and lending services, investment advisory, securities underwriting, financial advisory services and the derivatives broking.

The registered office of the Company is at 25 Bangkok Insurance Building, 15th - 17th Floor, South Sathorn Road, Tungmahamak, Sathorn, Bangkok. As at 30 June 2013, the Company has 24 branches in Bangkok and up country (31 December 2012: 23 branches).

**2. Basis of the preparation of the interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standards No.34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present complete interim financial statements as presented in the annual financial statements.

These interim financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and they are presented in compliance with the requirement of the Notification of the Office of the Securities and Exchange Commission relating to the format of the financial statements of securities companies No. Sor. Thor/Kor/Nor. 53/2553 dated 15 December 2010.

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

The interim financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 3. Application of new accounting standards during the period

The Federation of Accounting Professions issued the following accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance that are effective for fiscal year beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not relevant to the business of the Company. For TAS 12 regarding Income Taxes, this standard does not have any impact to the Company's financial statement since the Company had early adopted before the effective date.

### 4. New accounting standards issued and not yet effective

The Federation of Accounting Professions has issued notifications, which are published in the Royal Gazette during the current period, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows.

	<u>Effective date</u>
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretation:	
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014

		<u>Effective date</u>
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 Financial Reporting in Hyperinflationary Economies	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they are not relevant to the business of the Company, except TFRIC 13 for which the management is still evaluating the first-year impact to the financial statements and has yet to reach a conclusion.

## **5. Significant accounting policies**

### **5.1 Revenue recognition**

#### **a) Brokerage fees**

Brokerage fees on securities and derivatives business are recognised as income on the transaction dates.

#### **b) Fees and service income**

Fees and service income are recognised as income when services have been rendered taking into account the stage of completion.

#### **c) Gain (loss) on trading in securities and derivatives**

Gain (loss) on trading in securities and derivatives are recognised as income/expenses on the transaction dates.

d) Interest and dividend

Interest is recognised as income on an accrual basis. Dividend from investments is recognised when the right to receive the dividends is established.

e) Interest on credit balance loans

Interest is recognised as interest accrues based on a time proportion basis, but where there is uncertainty as to the collectability of loans and interest the Company ceases accrual.

In the following cases collectability of loans and interest is held to be uncertain.

- 1) Loans which are not fully collateralised.
- 2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue for more than 3 months.
- 3) Other receivables of which interest payment is overdue 3 months or more.

These conditions are based on the guidelines stipulated by the Office of Securities and Exchange Commission in Notification No. Kor. Thor. 5/2544 dated 15 February 2001.

## **5.2 Expense recognition**

a) Interest on borrowings

Interest on borrowings is charged to expenses on an accrual basis.

b) Fees and service expenses

Fees and service expenses are charged to expenses on an accrual basis.

## **5.3 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, all bank deposit accounts maturing within 3 months or less from the date of acquisition, and including call notes receivable and term notes receivable issued by financial institutions with an ordinary maturing within 3 months or less and not subject to withdrawal restrictions.

## **5.4 Recognition and amortisation of customers' deposits assets**

Assets which customers have placed with the Company for securities trading, both through cash accounts and credit balance accounts, including amounts which customers have placed as security for derivatives trading, are recorded as assets and liabilities of the Company for internal control purposes. As at the end of the reporting date, the Company excludes the amounts which are unsecured from both assets and liabilities and presents only those assets which belong to the Company.

## **5.5 Borrowing and lending of securities**

The Company is engaged in securities borrowing and lending, whereby the Company acts as a principal or an agent of the borrowers and lenders of securities who are the Company's customers. The Company's objective in lending securities to its customers is solely to allow them to short sell securities through the credit balance accounts they have with the Company. These types of transaction are limited to securities listed on the SET 50 Index and on the list of securities which the Company allows customers to purchase through margin accounts (Marginable Securities).

The Company records its obligations to return borrowed securities which it has lent as "Securities borrowing payables" and securities lent to customers are recorded as "Securities borrowing receivables" in the statement of financial position. At the end of the period, the balance of securities borrowing payables and securities borrowing receivables are adjusted based on the close price quoted on the Stock Exchange of Thailand of the last working day of the period. Gains or losses arising from such adjustment are included in profit or loss. In addition, the Company records cash paid as collateral for securities borrowing as "Guaranteed deposit receivables" and cash received as collateral for securities lending as "Guarantee deposit payables". Fees for borrowing and lending are recognised on an accrual basis over the term of the period.

## **5.6 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of those securities are recorded in profit or loss.
- b) Investments in available-for-sale securities are stated at fair value. Changes in the fair value of these securities are recorded as gain (loss) on remeasuring investments in other comprehensive income in the statements of comprehensive income, and will be recorded in profit or loss when the securities are sold.
- c) Investment in held-to-maturities debt securities are recorded at amortised cost. The premium/discount on debt securities is amortised/accreted by the effective rate method with the amortised/ accreted amount presented as an adjustment to the interest income.
- d) Investments in non-marketable equity securities which are classified as other investments are valued at cost net of allowance of impairment (if any).

- e) The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.
- f) Losses on impairment of the investments (if any) are included in profit or loss when there is a factor indicating that such investments might be impaired.
- g) The weighted average method is used for computation of the cost of investments. On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **5.7 Receivables from/payables to Clearing House**

Receivables from/payables to Clearing House comprise the net balance receivables from/payables to Thailand Clearing House in respect of securities trades settled and derivative trading, and also include amounts pledged with Thailand Clearing House as security for derivatives trading and the net balance of receivables from/payables to overseas securities companies in respect of overseas securities trades settle through those companies.

#### **5.8 Securities and derivatives business receivables and allowance for doubtful accounts**

Securities and derivatives business receivables comprise the net securities and derivatives business receivables, after deducting allowance for doubtful accounts, and also including related accrued interest receivables.

In addition, securities business receivables comprise the net receivables balances of cash accounts, credit balance accounts for which the securities purchased are used as collateral, securities borrowing and lending receivables and guarantee deposit receivables (which comprise cash placed as guarantee for securities borrowing payables or Thailand Clearing House) as well as other receivables such as overdue cash customers accounts and securities receivables which are subject to legal proceedings, are undergoing restructuring or are settling in installments.

The Company has provided an allowance for doubtful accounts based on a review of debtor's ability to make repayment, taking into consideration recovery risk, and the value of the collateral. An allowance is set aside for doubtful debts not fully covered by collateral and/or those which may not be fully recovered. Such debt classifications and provisions are made in accordance with the following guidelines.

- a) Assets classified as doubtful loss are to satisfy the following criteria.
  - (1) Loans balance which the Company has already made every effort to collect, but which remain unpaid and which the Company has already written-off in accordance with tax legislation.
  - (2) Loans balance which the Company has forgiven.
- b) Doubtful debt is defined as the uncollateralised portion of the value of a debt which meets the following criteria.
  - (1) General loans and other loans for which the collateral value is less than the loan balance.
  - (2) Installment loans with repayments scheduled less frequently than every 3 months and for which principal or interest is overdue by more than 3 months.
  - (3) Installment loans with repayment scheduled no less frequently than every 3 months, unless there is clear evidence and high degree of certainty that full repayment will be received.
- c) Substandard debt is defined as the collateralised portion of loans which meet the criteria in b).

Loans classified as doubtful loss will be written-off when identified. Allowance for doubtful account will be set aside for loans classified as doubtful at not less than 100 percent of the loan balance. The above guideline is in accordance with Notification No. Kor. Thor. 33/2543 dated 25 August 2000 which is updated by Notification No. Kor. Thor. 5/2544 dated 15 February 2001 of the Office of the Securities and Exchange Commission.

## **5.9 Premises and equipment/Depreciation**

Premises and equipment are stated at cost less accumulated depreciation and allowance for impairment of assets (if any).

Depreciation of premises and equipment is calculated by reference to their cost on the straight-line basis over the following estimated useful lives:

Condominium units	20 years
Leasehold improvements	12 years
Office equipment	3, 5, 6 years
Furniture and fixtures	5, 6 years
Motor vehicles	5 years

No depreciation is provided on construction in progress.

Depreciation is included in determining income.

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss when the asset is derecognised.

#### **5.10 Intangible assets and amortisation**

Intangible assets acquired are initially recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to profit or loss.

Intangible assets with finite useful lives is amortised for a period of 5 years.

#### **5.11 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legalisation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences, to the extent it is probable that future taxable profit will be available against which such deductible temporary differences can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to equity if the tax relates to items that are recorded directly to equity.

#### **5.12 Property foreclosed**

Property foreclosed is stated at the lower of cost or net realisable value with reference to the latest appraisal value less estimated selling expenses.

#### **5.13 Impairment of assets**

At the end of each reporting period, the Company performs impairment reviews in respect of the assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in profit or loss.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in profit or loss.

#### **5.14 Securities and derivatives business payables**

Securities and derivatives business payables are the obligations of the Company in respect of its securities and derivatives business with outside parties, such as the net payable balances of cash accounts, securities delivery obligations as a result of short sales or securities borrowing, and obligations to return assets held by the Company as collateral for securities lending.

#### **5.15 Related parties transaction**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with direct or indirect authority in the planning and direction of the Company's operations.

#### **5.16 Long-term leases**

Leases of assets that all the significant risk and rewards of ownership are retained with the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

#### **5.17 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rates ruling at the end of reporting date.

Gains and losses on exchange are included in determining income.

#### **5.18 Employee benefits**

##### **a) Short-term employee benefits**

Salaries, wages, bonuses, contribution to the social security fund, contribution under Employee Joint Investment Program and annual leave are recognised as expenses when incurred.

##### **b) Post-employment benefits (Defined contribution plans)**

The Company and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company contributions are recognised as expenses when incurred.

c) Post-employment benefits (Defined benefit plans)

The Company has obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company treats these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit is determined by a professionally qualified independent actuary, based on actuarial techniques, using the Projected Unit Credit Method.

Actuarial gains and losses arising from post-employment benefits are recognised immediately in profit or loss (if any).

#### **5.19 Derivatives - Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the end of reporting period. Gains and losses from the translation are included in profit or loss. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

#### **5.20 Provisions**

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

### **6. Significant accounting judgements and estimates**

The preparation of financial statements in conformity with financial reporting standards at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures, and actual results could differ from these estimation. The significant judgements and accounting estimates are as follows:

#### **6.1 Allowances for loan losses for securities and derivative business receivables**

Allowances for doubtful accounts for securities and derivatives business receivables are intended to adjust the values of receivables for probable credit losses. The management uses the SEC's regulations regarding the provision of allowance for doubtful accounts and judgement to establish reserves for estimated losses for each outstanding receivable when there is any doubt about the receivable's capability to repay the debt. The allowances for doubtful accounts are determined through a combination of specific reviews, probability of default and the value of the securities used as collateral.

## **6.2 Impairment of investments**

The Company reviews and set up allowance for impairment of investment when indication of impairment exists. The determination of what is indication of impairment requires judgement of management to estimate the expected loss by considering the status of each investment item.

## **6.3 Deferred tax assets**

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is highly probable that taxable profit will be available against which these differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

## **6.4 Recognition and derecognition of assets and liabilities**

In considering whether to recognise or to derecognise assets or liabilities, the management is required to make judgement on whether significant risk and rewards of those assets or liabilities have been transferred, based on their best knowledge of the current events and arrangements.

## **6.5 Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgement, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

## **6.6 Premises and equipment/Depreciation**

In determining depreciation of premises and equipment, the management is required to make estimates of the useful lives and residual values of the premises and equipment, and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review premises and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

## 6.7 Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rates.

## 7. Cash and cash equivalents

	(Unit: Baht)	
	30 June 2013	31 December 2012
Cash	77,000	77,075
Current deposits and saving deposits	2,311,607,120	281,354,495
Time deposits with maturity date not more than 3 months		
from acquisition date	395,000,000	370,000,000
Promissory notes at call	758,000,000	320,000,000
Total cash and cash equivalents	3,464,684,120	971,431,570
Less: Deposits for customers' account	(1,239,478,326)	(531,160,601)
Cash and cash equivalents	<u>2,225,205,794</u>	<u>440,270,969</u>

## 8. Deposits at financial institutions

	(Unit: Baht)	
	30 June 2013	31 December 2012
Time deposits with maturity date more than 3 months		
from acquisition date	500,000,000	100,000,000
Less: Deposits for customers' account	(500,000,000)	(100,000,000)
Deposits at financial institutions	<u>-</u>	<u>-</u>

## 9. Receivables from Clearing House

	(Unit: Baht)	
	30 June 2013	31 December 2012
Receivables from Thailand Clearing House		
Equity and debt securities	1,303,342,823	453,653,472
Derivatives	39,173,466	32,630,609
Receivables from foreign companies	39,820,553	35,249,039
Total receivables from Clearing House	1,382,336,842	521,533,120
Less: Receivables from Clearing House for customers' accounts	(37,174,208)	(30,926,912)
Receivables from Clearing House	<u>1,345,162,634</u>	<u>490,606,208</u>

## 10. Securities and derivatives business receivables

	(Unit: Baht)	
	30 June 2013	31 December 2012
<u>Securities business receivables</u>		
Cash accounts	1,614,260,596	1,501,671,757
Credit balances receivables	4,902,536,976	5,264,562,046
Guaranteed deposit receivables	563,782,922	618,898,140
Receivables under securities borrowing and lending business	538,604,975	560,657,700
Other receivables	6,657,775	6,391,839
Total securities business receivables	7,625,843,244	7,952,181,482
Add: Accrued interest receivables	25,188,139	23,458,693
Less: Allowance for doubtful accounts	(6,335,398)	(6,335,398)
Net securities business receivables	7,644,695,985	7,969,304,777
<u>Derivatives business receivables</u>		
Derivatives business receivables	284,513	176,690
Total derivatives business receivables	284,513	176,690
Net securities and derivatives business receivables	7,644,980,498	7,969,481,467

**10.1** As at 30 June 2013, the Company has securities business receivables of approximately Baht 6.4 million on which the recognition of income on an accrual basis has been suspended (31 December 2012: Baht 6.4 million).

**10.2** As at 30 June 2013 and 31 December 2012, the Company has classified its securities business receivables including related interest receivable as follows, in accordance with the relevant guidelines issued by the Office of the Securities and Exchange Commission governing accounting for the doubtful debts of securities companies.

	(Unit: Thousand Baht)		
	30 June 2013		
	Debt balance	Allowance for doubtful accounts	Debt balance net of allowance for doubtful accounts
Normal	7,644,635	-	7,644,635
Substandard	346	-	346
Doubtful	6,335	6,335	-
Total	7,651,316	6,335	7,644,981

(Unit: Thousand Baht)

	31 December 2012		
	Debt balance	Allowance for doubtful accounts	Debt balance net of allowance for doubtful accounts
Normal	7,969,481	-	7,969,481
Doubtful	6,335	6,335	-
Total	7,975,816	6,335	7,969,481

**10.3** As at 30 June 2013, guaranteed deposit receivables of approximately Baht 563.8 million represent cash paid to secure the borrowing of securities for securities borrowing and lending transactions, and the fair value of the securities borrowed is approximately Baht 538.6 million (31 December 2012: Baht 618.9 million and Baht 560.7 million, respectively).

#### **10.4 Allowance for doubtful accounts**

(Unit: Baht)

	For the six-month period ended 30 June 2013	For the year ended 31 December 2012
Balance - beginning of the period	6,335,398	6,749,416
Change during the period	-	(414,018)
Balance - end of the period	6,335,398	6,335,398

#### **11. Derivatives assets**

(Unit: Baht)

	30 June 2013	
	Fair value	Notional amount
Forward exchange contract	34,910,000	1,514,425,000
<b>Total derivatives assets</b>	34,910,000	1,514,425,000

## 12. Investments

### 12.1 Classify by type of investments

(Unit: Baht)

	30 June 2013		31 December 2012	
	Cost/		Cost/	
	Amortised cost	Fair value	Amortised cost	Fair value
<b><u>Available-for-sale securities</u></b>				
Investments in debt securities	309,762,726	309,300,505	-	-
Listed equity securities	30,210	-	30,210	-
Unit trusts	631,108	422,874	631,108	556,063
Total	310,424,044	309,723,379	661,318	556,063
Less: Allowance for revaluation	(670,455)		(75,045)	
Less: Allowance for impairment	(30,210)		(30,210)	
Net available-for-sale securities	309,723,379		556,063	
<b><u>Held-to-maturity debt securities</u></b>				
Treasury bill	1,741,463,148		1,313,374,618	
Less: Investments for customer's accounts	(1,736,034,836)		(1,304,805,303)	
Net held-to-maturity debt securities	5,428,312		8,569,315	
<b><u>Other investments</u></b>				
Non-marketable equity securities	15,665,250		15,665,250	
Less: Allowance for impairment	(9,193,382)		(9,193,382)	
Net other investments	6,471,868		6,471,868	
<b>Net investments</b>	<b>321,623,559</b>		<b>15,597,246</b>	

## 12.2 Other components of equity - revaluation surplus (deficit) on investments

(Unit: Baht)

	For the six-month	For the year ended
	period ended	31 December
	30 June 2013	2012
Balance - beginning of the period	(60,036)	1,377,046
Changes during the period from		
Revaluation	3,111,901	(2,632,761)
Disposal	(3,707,311)	769,345
Deferred income tax	119,082	426,334
Balance - end of the period	<u>(536,364)</u>	<u>(60,036)</u>

## 12.3 Gain (loss) on securities

(Unit: Baht)

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2013	2012	2013	2012
Realised gain (loss) on trading in securities				
Trading securities	(660,578)	(1,766,250)	(2,889,616)	(1,847,813)
Available-for-sale securities	3,360,384	-	3,707,311	775,142
Other investments	-	-	-	(5,000)
Reversal of loss on impairment	-	-	-	10,000
Total gain (loss) on securities	<u>2,699,806</u>	<u>(1,766,250)</u>	<u>817,695</u>	<u>(1,067,671)</u>

## 12.4 Interest and dividend income

(Unit: Baht)

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2013	2012	2013	2012
Interest income from debt securities	11,377,216	8,120,661	21,834,836	9,053,867
Dividend income from equity securities	461,200	427,893	461,200	427,893
Total interest and dividend income	<u>11,838,416</u>	<u>8,548,554</u>	<u>22,296,036</u>	<u>9,481,760</u>

### 13. Premises and equipment

(Unit: Baht)

	For the six-month period ended 30 June 2013					
	Condominium	Office	Furniture	Motor	Work	Total
	units	equipment	and fixtures	vehicles	in progress	
<b>Cost</b>						
1 January 2013	22,704,701	187,151,181	131,286,546	27,954,034	2,694,024	371,790,486
Additions	-	14,423,883	106,282	-	4,807,512	19,337,677
Disposals	-	(654,477)	(2,516,852)	-	-	(3,171,329)
Transfer in/out	-	1,431,651	1,109,970	-	(2,541,621)	-
30 June 2013	<u>22,704,701</u>	<u>202,352,238</u>	<u>129,985,946</u>	<u>27,954,034</u>	<u>4,959,915</u>	<u>387,956,834</u>
<b>Accumulated depreciation</b>						
1 January 2013	18,441,571	149,927,219	75,392,425	14,349,732	-	258,110,947
Depreciation for the period	-	13,077,006	9,288,010	2,417,369	-	24,782,385
Depreciation on disposals	-	(654,463)	(2,516,388)	-	-	(3,170,851)
30 June 2013	<u>18,441,571</u>	<u>162,349,762</u>	<u>82,164,047</u>	<u>16,767,101</u>	<u>-</u>	<u>279,722,481</u>
<b>Net book value</b>						
30 June 2013	<u>4,263,130</u>	<u>40,002,476</u>	<u>47,821,899</u>	<u>11,186,933</u>	<u>4,959,915</u>	<u>108,234,353</u>
Depreciation for the six-month period ended 30 June 2013						<u>24,782,385</u>

(Unit: Baht)

	For the year ended 31 December 2012					
	Condominium	Office	Furniture	Motor	Work	Total
	units	equipment	and fixtures	vehicles	in progress	
<b>Cost</b>						
1 January 2012	22,704,701	183,696,167	119,844,186	27,954,034	4,110,268	358,309,356
Additions	-	5,723,262	1,410,896	-	9,801,314	16,935,472
Disposals	-	(3,234,861)	(219,481)	-	-	(3,454,342)
Transfer in/out	-	966,613	10,250,945	-	(11,217,558)	-
31 December 2012	<u>22,704,701</u>	<u>187,151,181</u>	<u>131,286,546</u>	<u>27,954,034</u>	<u>2,694,024</u>	<u>371,790,486</u>
<b>Accumulated depreciation</b>						
1 January 2012	18,441,571	128,495,132	56,813,658	8,850,334	-	212,600,695
Depreciation for the year	-	24,666,836	18,798,210	5,499,398	-	48,964,444
Depreciation on disposals	-	(3,234,749)	(219,443)	-	-	(3,454,192)
31 December 2012	<u>18,441,571</u>	<u>149,927,219</u>	<u>75,392,425</u>	<u>14,349,732</u>	<u>-</u>	<u>258,110,947</u>
<b>Net book value</b>						
31 December 2012	<u>4,263,130</u>	<u>37,223,962</u>	<u>55,894,121</u>	<u>13,604,302</u>	<u>2,694,024</u>	<u>113,679,539</u>

As at 30 June 2013, condominium units for a total of Baht 4.3 million are not in use and currently in the process of selling. In addition, certain office equipment, furniture and fixtures and motor vehicles have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 121.1 million (31 December 2012: Baht 4.3 million and Baht 110.0 million, respectively).

#### 14. Intangible assets

(Unit: Baht)

	Remaining amortisation period	For the six-month period ended 30 June 2013				
		Balance	Increase/	Amortised	Disposals/	Balance
		beginning of the period	transfer in		transfer out	end of the period
Computer software	0 - 4.84 years	76,367,663	520,091	-	-	76,887,754
Software in progress		1,670,588	3,851,734	-	(233,419)	5,288,903
Total intangible assets		78,038,251	4,371,825	-	(233,419)	82,176,657
Less: Accumulated amortisation		(66,202,714)	-	(1,771,009)	-	(67,973,723)
Net intangible assets		<u>11,835,537</u>	<u>4,371,825</u>	<u>(1,771,009)</u>	<u>(233,419)</u>	<u>14,202,934</u>
Amortisation expenses for the six-month period ended 30 June 2013						<u>1,771,009</u>

(Unit: Baht)

	Remaining amortisation period	For the year ended 31 December 2012				
		Balance	Increase/	Amortised	Disposals/	Balance
		beginning of the year	transfer in		transfer out	end of the year
Computer software	0 - 4.95 years	71,814,645	4,553,018	-	-	76,367,663
Software in progress		2,542,449	3,208,929	-	(4,080,790)	1,670,588
Total intangible assets		74,357,094	7,761,947	-	(4,080,790)	78,038,251
Less: Accumulated amortisation		(61,942,682)	-	(4,260,032)	-	(66,202,714)
Net intangible assets		<u>12,414,412</u>	<u>7,761,947</u>	<u>(4,260,032)</u>	<u>(4,080,790)</u>	<u>11,835,537</u>

As at 30 June 2013, certain computer software have been fully amortised but are still in use. The original cost, before deducting accumulated amortisation, of those assets amounted to Baht 59.7 million (31 December 2012: Baht 57.6 million).

## 15. Deferred tax assets/liabilities and income tax

Income tax expenses for the three-month and six-month periods ended 30 June 2013 and 2012 are made up as follows:

	(Unit: Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2013	2012	2013	2012
<b>Current income tax:</b>				
Current income tax charge for the period	36,063,865	9,773,850	73,230,776	26,571,601
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(6,100,921)	1,068,754	(3,579,600)	(3,809,984)
Effects of changes in the applicable tax rates/prior period's adjustments	-	1,491,750	(114,190)	1,539,036
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>29,962,944</b>	<b>12,334,354</b>	<b>69,536,986</b>	<b>24,300,653</b>

The amounts of income tax relating to each component of other comprehensive income for the three-month and six-month periods ended 30 June 2013 and 2012 are as follows:

	(Unit: Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2013	2012	2013	2012
Deferred tax relating to gain (loss) on re-measuring available-for-sale investments	126,645	(12,290)	119,082	175,704
Effects of changes in the applicable tax rates	-	30,733	-	30,733
	<b>126,645</b>	<b>18,443</b>	<b>119,082</b>	<b>206,437</b>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the three-month and six-month periods ended 30 June 2013 and 2012 are as follows:

	(Unit: Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2013	2012	2013	2012
Accounting profit before tax	149,666,587	46,353,220	346,542,196	96,818,892
Applicable tax rate	20 percent	23 percent	20 percent	23 percent
Accounting profit before tax multiplied by applicable tax rate	29,933,318	10,661,240	69,308,439	22,268,345
Effects of changes in the applicable tax rates/prior period's adjustments	-	1,491,750	(114,190)	1,539,036
Effects of:				
Non-deductible expense	271,090	390,877	584,201	703,509
Non-taxable income	(235,944)	(209,513)	(235,944)	(209,513)
Additional expense deductions allowed	(5,520)	-	(5,520)	(724)
Total	29,626	181,364	342,737	493,272
Income tax expenses reported in the statement of comprehensive income	29,962,944	12,334,354	69,536,986	24,300,653

As of 30 June 2013 and 31 December 2012, the components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Baht)	
	30 June 2013	31 December 2012
<b>Deferred tax assets</b>		
Allowance for impairment of investments	1,844,719	1,844,719
Allowance for impairment of property foreclosed	5,570,240	5,570,240
Allowance for doubtful accounts/allowance for other receivables	1,281,959	1,281,959
Provisions for long-term employee benefits	10,172,074	9,965,254
Accrued employee expenses	25,410,328	21,869,544
Revaluation deficit on investments	134,091	15,009
Others	4,338,492	4,346,873
Total deferred tax assets	48,751,903	44,893,598
<b>Deferred tax liabilities</b>		
Others	(123,357)	(129,080)
Total deferred tax liabilities	(123,357)	(129,080)
Net deferred tax assets	48,628,546	44,764,518

## 16. Other assets

	(Unit: Baht)	
	30 June 2013	31 December 2012
Loans to employees	65,980,502	66,684,608
Contribution for Securities Clearing Fund	38,683,239	35,737,458
Prepaid expenses	19,249,113	11,087,794
Deposits	16,809,725	16,749,276
Deferred premium on forward exchange contract	16,291,547	-
Property foreclosed (net of allowance for impairment of Baht 28 million)	15,000,000	15,000,000
Accrued interest receivables	7,510,430	1,553,519
Deposit for derivative business	5,000,000	5,000,000
Fees and service income receivables	1,928,691	4,809,401
Others	6,922,368	7,124,997
<b>Total other assets</b>	<b>193,375,615</b>	<b>163,747,053</b>

## 17. Borrowings from financial institutions

As at 30 June 2013 and 31 December 2012, borrowings from financial institutions comprising only domestic borrowings and are classified as follows:

	(Unit: Thousand Baht)				
	30 June 2013				
Interest rate per annum (percent)	Remaining period to maturity			Total	
	At call	Less than 1 year	1 - 5 years		
Promissory notes	3.03	-	120,000	-	120,000
Borrowings	3.85 - 4.33	-	-	900,000	900,000
<b>Total borrowings from financial institutions</b>		<b>-</b>	<b>120,000</b>	<b>900,000</b>	<b>1,020,000</b>

  

	(Unit: Thousand Baht)				
	31 December 2012				
Interest rate per annum (percent)	Remaining period to maturity			Total	
	At call	Less than 1 year	1 - 5 years		
Promissory notes	3.15 - 3.40	900,000	400,000	-	1,300,000
Borrowings	3.85 - 4.33	-	-	900,000	900,000
<b>Total borrowings from financial institutions</b>		<b>900,000</b>	<b>400,000</b>	<b>900,000</b>	<b>2,200,000</b>

As at 30 June 2013, the above borrowings of Baht 900 million are borrowings from the branch of an overseas bank, with maturities of next 2-3 years counting from contract date. The interest is carried at fixed rates per annum, payable monthly. The loan agreements contain conditions whereby the Company is obliged to pay unwinding fees or compensation for losses arising as a result of the Company terminating the agreements or prepaying the borrowings before the maturity date, which is calculated based on the conditions as specified in the loan agreements. Moreover, the Company has to comply with certain terms and conditions such as the maintenance of an interest bearing debt to equity ratio of not exceeding 1.5:1 and dividend payout ratio.

#### 18. Payables to Clearing House

	(Unit: Baht)	
	30 June 2013	31 December 2012
Payables to Clearing House		
Equity and debt securities	-	551,398,156
Derivatives	396,550	217,715
Total payables to Clearing House	<u>396,550</u>	<u>551,615,871</u>

#### 19. Securities and derivatives business payables

	(Unit: Baht)	
	30 June 2013	31 December 2012
<u>Securities business payables</u>		
Cash accounts	2,687,336,107	1,487,045,188
Guarantee deposit payables	528,574,341	517,520,177
Payable under securities borrowing and lending business	538,604,975	560,657,700
Total securities business payables	<u>3,754,515,423</u>	<u>2,565,223,065</u>
Accrued interest payables	5,084,704	3,516,877
Total securities business payables	<u>3,759,600,127</u>	<u>2,568,739,942</u>
<u>Derivatives business payables</u>		
Derivatives business payables	1,767,058	1,457,697
Total derivatives business payables	<u>1,767,058</u>	<u>1,457,697</u>
Total securities and derivatives business payables	<u>3,761,367,185</u>	<u>2,570,197,639</u>

## 20. Borrowings

As at 30 June 2013, borrowings of Baht 1,563 million are US dollar borrowing from a related party, maturing in January 2014, and carrying interest at LIBOR+1.05 percent per annum, payable quarterly. However, the Company has purchased a forward exchange contract to mitigate the related foreign exchange risk.

## 21. Provisions for long-term employee benefits

Provision for long-term employee benefits, which is compensations on employees' retirement, are as follows:

	(Unit: Baht)	
	For the six-month period ended 30 June 2013	For the year ended 31 December 2012
<b>Provisions for long-term employee benefits</b>		
<b>at beginning of period</b>	49,826,271	45,330,655
Current service cost	2,010,398	3,939,591
Interest cost	965,074	1,826,120
Benefits paid during the period	(1,941,373)	(1,270,095)
<b>Provisions for long-term employee benefits</b>		
<b>at end of period</b>	<u>50,860,370</u>	<u>49,826,271</u>

Long-term employee benefit expenses included in the profit or loss for the six-month periods ended 30 June 2013 and 2012 are as follows:

	(Unit: Baht)	
	2013	2012
Current service cost	2,010,398	1,949,490
Interest cost	965,074	887,052
<b>Total expense recognised in profit or loss</b>	<u>2,975,472</u>	<u>2,836,542</u>

Principal actuarial assumptions at the valuation date were as follows:

Discount rate	4.1 percent per annum
Average future salary increase	5 - 8 percent per annum
Average turnover rate	5 - 35 percent per annum based on employees' age

## 22. Other liabilities

	(Unit: Baht)	
	30 June 2013	31 December 2012
Accrued employee expenses	128,923,183	111,937,267
Accrued expenses	39,904,365	25,749,167
Corporate income tax payable	70,543,620	45,508,630
Others	35,199,280	24,902,914
Total other liabilities	<u>274,570,448</u>	<u>208,097,978</u>

## 23. Share capital

On 26 April 2013, the Annual General Meeting of the Company's shareholders No.1/2556 passed the following resolutions.

- a. Approved a share split changing the par value of the Company's ordinary shares from Baht 10 per share (71,682,300 shares) to Baht 1 per share (716,823,000 shares).
- b. Approved an increase of Baht 1,433,646,000 in the Company's registered share capital, from Baht 716,823,000 to Baht 2,150,469,000, through the issuance of 1,433,646,000 new ordinary shares with a par value of Baht 1 each. All new ordinary shares are to be allotted to the existing shareholders in proportion to their existing shareholding (Rights Offering) at a rate of 2 new shares for each existing share, and an offer price of Baht 1 per share. The Company registered the increase in its registered share capital with the Ministry of Commerce on 24 June 2013 and share capital has been fully paid up.

## 24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 25. Capital Management

The primary objectives of the Company's capital management are to maintain the Company's ability to continue as a going concern and to maintain net liquid capital in accordance with the rules laid down by the Office of the Securities and Exchange Commission.

## 26. Brokerage fee income

(Unit: Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2013	2012	2013	2012
Brokerage fee from securities business	276,785,766	142,627,752	632,834,668	303,778,154
Brokerage fee from derivatives business	21,182,124	18,790,785	39,474,797	31,159,781
Total brokerage fees income	<u>297,967,890</u>	<u>161,418,537</u>	<u>672,309,465</u>	<u>334,937,935</u>

## 27. Fees and service income

(Unit: Baht)

	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	2013	2012	2013	2012
Underwriting fee	10,508,093	13,769,281	22,921,218	13,940,282
Financial advisory	1,386,575	720,000	3,486,575	2,880,000
Securities borrowing and lending	6,796,658	3,598,708	12,765,714	7,460,476
Business support	2,700,000	7,836,767	15,033,790	10,656,767
Others	2,202,911	2,146,530	4,487,185	4,553,721
Total fees and service income	<u>23,594,237</u>	<u>28,071,286</u>	<u>58,694,482</u>	<u>39,491,246</u>

## 28. Directors' remuneration

Directors' remuneration represents the benefits paid to directors of the Company in accordance with Section 90 of the Public Limited Companies Act., exclusive of salaries, bonuses and related benefits paid to directors who hold executive positions.

## 29. Provident fund

The Company and its employees have jointly registered a provident fund scheme under the Provident Fund Act B.E 2530. The Fund is contributed to by both the employees and the Company at the rate of 5 - 10 percent of the employee's salary. The Fund is managed by TISCO Asset Management Limited and will be paid to the employees upon termination in accordance with the rules of the Fund.

For the six-month period ended 30 June 2013, Baht 10.2 million has been contributed to the Fund by the Company (2012: Baht 9.5 million).

In addition to the contributory registered provident fund, the Company has established a provision for an additional plan for employees who work with the Company for over 5 years and over 10 years. The plan is unfunded and is provided only for employees who joined the Company prior to 15 July 1986. Liabilities under this plan have been presented as part of "Other liabilities".

### 30. Earnings per share

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares outstanding during the period, net of treasury stock held by the Company. The number of ordinary shares has been adjusted to reflect the proportionate change in the number of ordinary shares as a result of the share split mentioned in Note 23 to financial statements, with the calculation assuming that the share split took place at the beginning of the reporting period.

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2013	2012	2013	2012
Profit for the period (Baht)	119,703,643	34,018,866	277,005,210	72,518,239
Weighted average number of				
ordinary shares (shares)	874,366,516	683,951,000	796,029,961	683,951,000
Earnings per share (Baht/share)	0.14	0.05	0.35	0.11

### 31. Dividends

During the periods, the Company declared the following dividends for payment to shareholders:

	Approved by	Total dividend	Dividend
		declaration	declaration
		(Million Baht)	(Baht)
Dividends from the operating results for the year ended 31 December 2012	The annual ordinary meeting of the Company's shareholders No. 1/2556 on 26 April 2013	115	1.60 (from 71,682,300 ordinary shares at par value of Baht 10 each)
Dividends from the operating results for the period as from 1 September 2011 to 31 December 2011	The annual ordinary meeting of the Company's shareholders No. 1/2555 on 27 June 2012	34	0.50 (from 68,395,100 ordinary shares at par value of Baht 10 each)

### 32. Related party transactions

During the periods, the Company had significant business transactions with the following related parties.

Related parties	Relationship
Nomura Singapore Limited	Having common major shareholders
Nomura Securities Co., Ltd.	Having common major shareholders
Nomura International (Hong Kong) Limited	Having common major shareholders
Nomura International Plc.	Having common major shareholders
Nomura Investments (Singapore) Private Limited	Having common major shareholders
Nomura Mauritius Limited	Having common major shareholders
Instinet Pacific Limited	Having common major shareholders
United Information Highway Co., Ltd.	Having common director

Such transactions with its related companies were concluded on the commercial terms and based agree upon by the Company and those companies in the ordinary course of business. The significant transactions are summarised below.

(Unit: Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June		Pricing policies (for the period 2013)
	2013	2012	2013	2012	
	<b><u>Transactions occurred during the periods</u></b>				
<b>Brokerage fees income</b>					
- Nomura Singapore Limited	792,976	4,327,294	4,354,739	9,574,986	At the agreed upon commission rate, comparable to industry rates
- Nomura International Plc.	1,985,573	87,772	2,590,867	87,772	At the agreed upon commission rate, comparable to industry rates
- Instinet Pacific Limited	10,685,462	-	15,685,317	-	At the agreed upon commission rate, comparable to industry rates
<b>Fees income from business support services</b>					
- Nomura Singapore Limited	2,700,000	2,380,692	5,400,000	5,200,692	At actual costs plus a margin of 10 percent
<b>Fees income from research services</b>					
- Nomura Securities Co., Ltd.	1,950,000	1,950,000	3,900,000	3,900,000	At actual costs plus a margin of 10 percent

(Unit: Baht)

	For the three-month		For the six-month		Pricing policies (for the period 2013)
	periods ended 30 June		periods ended 30 June		
	2013	2012	2013	2012	
<b><u>Transactions occurred during the periods (continue)</u></b>					
Fees income from introducing clients					
- Nomura Singapore Limited	192,448	145,586	466,072	549,893	Based on actual executed transactions of our referred customers and at the rate as indicate in the agreement referred to similar business
Fees income from underwriting					
- Nomura International Plc.	-	13,436,782	-	13,436,782	
Fees income from securities borrowing and lending					
- Nomura International Plc.	1,307,481	-	2,517,680	-	At normal rate charged to other clients
Fees income from other services					
- Nomura Securities Co., Ltd.	-	5,456,075	9,633,790	5,456,075	At the rate determined by extend and amount of work assigned
Fee expenses from Hi-speed circuit service					
- United Information Highway Co., Ltd.	311,051	354,911	581,488	709,822	At the same rate charged to other clients without dependent interest
Brokerage fees expense from foreign securities trading					
- Nomura Singapore Limited	27,372	115,516	372,294	262,081	Calculated base on trade volume and at the referential rate charged to other clients without dependent interest
Interest on borrowings					
- Nomura Mauritius Limited	5,104,815	-	8,898,970	-	At the rate 1.33 - 1.35 per annum
Interest received from loans to employees					
- Director	9,051	12,186	18,421	24,825	At the same rate charged to other Company's staffs
Legal advisory fees expenses					
- Director	-	60,000	-	120,000	

As at 30 June 2013 and 31 December 2012, the outstanding balances of the related party transactions are as follows:

	(Unit: Baht)	
	<u>30 June 2013</u>	<u>31 December 2012</u>
Securities business receivables		
- Nomura Singapore Limited	-	9,320,866
- Nomura International Plc.	42,783,750	234,600,000
- Instinet Pacific Limited	106,289,332	-
Other assets - accrued income receivables		
- Nomura Singapore Limited	1,231,616	1,172,390
- Nomura Securities Co., Ltd.	-	3,511,010
Other assets - loan to employees		
- Director	1,466,237	1,603,766
Other assets - others		
- Nomura Investments (Singapore) Private Limited	3,250,092	1,386,993
- Nomura International (Hong Kong) Limited	308,648	234,267
- Nomura Singapore Limited	39,182	37,020
- Nomura Securities Co., Ltd.	8,070	4,000
Securities business payables		
- Nomura Singapore Limited	4,566,726	106,284,420
- Nomura International Plc.	-	201,972,433
- Instinet Pacific Limited	414,364,195	-
Borrowings		
- Nomura Mauritius Limited	1,563,375,000	-
Other liabilities		
- Nomura International (Hong Kong) Limited	46,459	46,459
- Nomura Mauritius Limited	4,791,753	-
- United Information Highway Co., Ltd.	106,161	-

## Management's remuneration

Benefits paid to directors and management of the Company both monetary and non-monetary were as follows:

(Unit: Baht)

	For the three-month		For the six-month	
	periods ended 30 June		periods ended 30 June	
	2013	2012	2013	2012
Short-term employee benefits	28,037,029	20,575,954	52,155,017	40,261,680
Post-employment benefits	481,913	451,257	963,862	902,514
Total	<u>28,518,942</u>	<u>21,027,211</u>	<u>53,118,879</u>	<u>41,164,194</u>

### 33. Operating information by segment

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker (the Board of Executive Directors) in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company is organised into business units based on its products and services and have four reportable segments as follows:

- Securities business segment, which provide service according to brokering, derivative brokering and securities borrowing and lending.
- Investment banking segment, which provide service according to underwriting, investment advisory and financial advisory.
- Fixed Income segment, which provide service according to trading debt securities.
- Other segments, which provide other services.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements.

Below is the financial information as at 30 June 2013 and 31 December 2012, and for the three-month and six-month periods ended 30 June 2013 and 2012 of the Company by segment.

(Unit: Million Baht)

	For the three-month periods ended 30 June									
	Securities business		Investments		Fixed income		Other segments		Total	
	segment		banking segment		segment					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total revenue	306	165	10	20	5	-	5	4	326	189
Segment operating income	155	58	4	13	3	-	1	2	163	73
Unallocated income (expenses)										
Gain (loss) on investments/ derivatives/exchange rate									(1)	(2)
Interest and dividend income									22	16
Interest on margin loans									82	48
Other income									2	1
Financial costs									(41)	(15)
Operating expenses									(77)	(75)
Income tax									(30)	(12)
Profit for the period									120	34

(Unit: Million Baht)

	For the six-month periods ended 30 June									
	Securities business		Investments		Fixed income		Other segments		Total	
	segment		banking segment		segment					
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Total revenue	686	342	34	22	5	-	11	10	736	374
Segment operating income	365	124	17	10	2	-	3	4	387	138
Unallocated income (expenses)										
Gain (loss) on investments/ derivatives/exchange rate									(17)	(1)
Interest and dividend income									41	33
Interest on margin loans									166	94
Other income									3	2
Financial costs									(80)	(28)
Operating expenses									(153)	(141)
Income tax									(70)	(24)
Profit for the period									277	73

(Unit: Million Baht)

		As at							
Securities business		Investments				Other segments		Total	
segment		banking segment							
30	31	30	31	30	31	30	31		
June	December	June	December	June	December	June	December	June	December
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Premises and equipment - net								108	114
Unallocated assets								11,828	9,136
Total assets								11,936	9,250

### 34. Commitments and contingent liabilities

As at 30 June 2013 and 31 December 2012, the Company has the following outstanding commitments and contingent liabilities.

- 34.1** The Company has the following outstanding commitments under the lease agreements for its office building and motor vehicles, under which the Company is to pay rental and service fees in the future, counting from the period end date, as follows.

	(Unit: Million Baht)	
	30 June 2013	31 December 2012
Within 1 year	45.9	45.2
In 1-2 years	39.2	40.8
Over 2 years	15.8	28.1

- 34.2** The Company has commitments to pay the fees related to its securities business to the Stock Exchange of Thailand and Thailand Securities Depository Company Limited. These comprise a monthly fixed amount, a percentage of trading volume each month and/or a percentage of net settlements each month.

- 34.3** The Company has commitment to pay the fees related to its derivatives business to Thailand Futures Exchange Public Company Limited and Thailand Clearing House Company Limited. These comprise a monthly fixed amount and/or at the fixed payment for each purchase or sale of a futures contract transacted.

- 34.4** The Company has commitments to pay a fee to the Office of the Securities and Exchange Commission in relation to securities business licenses for securities brokerage at the rate of 0.0007 - 0.0018 percent of its trading volume. For commission received from securities trading, underwriting and others which the Company has licenses, the fee is charged at the rate of 1 percent per annum of income from the aforesaid activities. The minimum total fee is Baht 500,000 per annum.

### **34.5 Employee Joint Investment Program**

The Company has the Employee Joint Investment Program (“the EJIP”), one of the Company’s staff welfare benefits, which support the Company’s staff who voluntary apply to be the EJIP members to build their wealth by possessing the Company’s shares. The EJIP member must contribute a certain amount or a certain portion but not less than Baht 500 and not greater than 10 percent of their salary and average incentive on a monthly basis. The Company shall contribute to the EJIP members at 10 percent of their contributions.

During the periods, the amount contributed to the EJIP members by the Company as mentioned portion was presented under the caption of “Personnel expenses”.

### **35. Financial instruments**

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

As at 30 June 2013 and 31 December 2012, the Company has no policy to speculate in or engaged in the trading of any financial derivative instruments.

The Company’s financial instruments principally comprise cash and cash equivalents, receivables/payables from clearing house, securities and derivatives business receivables/payables, investments, loans to employees, borrowings from financial institutions and borrowings. The financial risks associated with these financial instruments and how they are managed is described below.

#### **35.1 Credit risk**

The Company is exposed to credit risk primarily with respect to securities and derivatives business receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivable from Clearing House, securities and derivatives business receivables as stated in the statements of financial position.

## 35.2 Interest rate risk

Interest rate risk refers to the risk that the value of financial asset and financial liabilities may change from the market interest rate. Significant financial assets and liabilities as at 30 June 2013 and 31 December 2012 classified by type of interest rates are summarised in the table below.

(Unit: Million Baht)

30 June 2013							
Outstanding balances of financial instruments							
	Floating interest rate	Fixed interest rate which the remaining period before maturity date or end of contract date		Without interest	Total	Average interest rate	
		Within 1 year	1 - 5 years			Floating interest rate	Fixed interest rate
						% p.a.	% p.a.
<b>Financial assets</b>							
Cash and cash equivalents	2,221	-	-	4	2,225	1.85	-
Receivable from Clearing House	-	-	-	1,345	1,345	-	-
Securities and derivatives business receivables	4,902	539	-	2,185	7,626	5.42	4.00
Derivatives assets	-	-	-	35	35	-	-
Investments	-	315	-	7	322	-	3.86
Loans to employees	66	-	-	-	66	2.38	-
<b>Financial liabilities</b>							
Borrowings from financial institutions	-	120	900	-	1,020	-	3.94
Securities and derivatives business payables	-	539	-	3,222	3,761	-	3.00
Borrowings	1,563	-	-	-	1,563	1.35	-

(Unit: Million Baht)

31 December 2012							
Outstanding balances of financial instruments							
	Floating interest rate	Fixed interest rate which the remaining period before maturity date or end of contract date		Without interest	Total	Average interest rate	
		Within 1 year	1 - 5 years			Floating interest rate	Fixed interest rate
						% p.a.	% p.a.
<b>Financial assets</b>							
Cash and cash equivalents	417	-	-	23	440	2.27	-
Receivable from Clearing House	-	-	-	491	491	-	-
Securities and derivatives business receivables	5,265	561	-	2,127	7,953	5.42	4.00
Investments	-	9	-	7	16	-	2.80
Loans to employees	67	-	-	-	67	2.50	-
<b>Financial liabilities</b>							
Borrowings from financial institutions	900	400	900	-	2,200	3.15	3.84
Payables to Clearing House	-	-	-	552	552	-	-
Securities and derivatives business payables	-	561	-	2,009	2,570	-	3.00

### 35.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to liquidate financial assets and/or procure sufficient funds to discharge obligations in a timely manner, resulting in a financial loss.

Counting from the reporting date, as at 30 June 2013 and 31 December 2012, the periods to the maturity dates of financial instruments are as follows.

(Unit: Million Baht)

	30 June 2013					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	2,225	-	-	-	-	2,225
Receivable from Clearing House	-	1,345	-	-	-	1,345
Securities and derivatives business						
receivables - net	1,102	1,640	-	-	4,903	7,645
Derivatives assets	-	35	-	-	-	35
Investments - net	1	315	-	-	6	322
Loans to employees	-	-	8	58	-	66
<b>Financial liabilities</b>						
Borrowings from financial institutions	-	120	900	-	-	1,020
Securities and derivatives business						
payables	1,067	2,694	-	-	-	3,761
Borrowings	-	1,563	-	-	-	1,563

(Unit: Million Baht)

	31 December 2012					
	Outstanding balances of financial instruments					
	At call	Within 1 year	1 - 5 years	Over 5 years	Unspecified	Total
<b>Financial assets</b>						
Cash and cash equivalents	440	-	-	-	-	440
Receivable from Clearing House	-	491	-	-	-	491
Securities and derivatives business						
receivables - net	1,180	1,525	-	-	5,265	7,970
Investments - net	1	9	-	-	6	16
Loans to employees	-	1	8	58	-	67
<b>Financial liabilities</b>						
Borrowings from financial institutions	900	400	900	-	-	2,200
Payables to Clearing House	-	552	-	-	-	552
Securities and derivatives business						
payables	1,078	1,492	-	-	-	2,570

#### **35.4 Foreign exchange risk**

As at 30 June 2013, the Company has liabilities in foreign currency by Baht 1,563 million, and has entered into forward exchange contract to mitigate the foreign currency risk (31 December 2012: the Company had no significant net assets or liabilities denominated in foreign currencies).

#### **35.5 Equity position risk**

The Company is exposed to equity position risk, due to the Company has investment in listed securities which will result in fluctuations in revenue and the value of financial assets.

#### **35.6 Fair value**

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company has estimated the fair value of financial instruments as follows.

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets, including cash and cash equivalents and loans to employees, are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Fair value of receivables from Clearing House are presented at their book value since they mature in the short-term. The fair values of financial instruments that have standard terms and conditions and are traded on an active market, such as investments, are determined by the quoted market price. In addition, the fair values of securities and derivative business receivables are determined based on their book value less allowance for doubtful accounts.

b) Financial liabilities

Borrowings from financial institutions, payables to Clearing House, securities and derivatives business payables and borrowings are presented at their book values, since they mature in the short-term or are subject to interest at the rates that approximate market interest rates.

As at 30 June 2013 and 31 December 2012, there were no material differences between the book value of financial instruments and their fair value.

#### **36. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's board of directors on 14 August 2013.