

Dhanamitr Factoring Public Company Limited  
Review report and interim financial statements  
For the three-month periods ended  
31 March 2011 and 2010

## **Review report of Independent Auditor**

To the Shareholders of Dhanamitr Factoring Public Company Limited

I have reviewed the accompanying statement of financial position of Dhanamitr Factoring Public Company Limited as at 31 March 2011, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period ended 31 March 2011. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my review.

I conducted my review in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The financial statement Dhanamitr Factoring Public Company Limited for the year ended 31 December 2010 were audited in accordance with generally accepted auditing standards by another auditor who expressed an unqualified opinion on those statements, under her report dated 17 February 2011. The statements of financial position as at 31 December 2010, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2010 of Dhanamitr Factoring Public Company Limited, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by the aforementioned auditor who reported, under her report dated 7 May 2010, that nothing had come to her attention that caused her to believe that those financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

As described in Note 1.4 to the financial statements, during the current period, the Company adopted the revised and new accounting standards issued by the Federation of Accounting Professions, and applied them in its preparation and presentation of the interim financial statements.

Rungnapa Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited  
Bangkok: 6 May 2011

(Unaudited but reviewed)

**Dhanamitr Factoring Public Company Limited**

**Statements of changes in shareholders' equity**

**For the three-month periods ended 31 March 2011 and 2010**

(Unit: Thousand Baht)

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
<b>Balance as at 31 December 2009</b>	100,000	35,845	10,000	61,378	207,223
Total comprehensive income for the period	-	-	-	12,033	12,033
<b>Balance as at 31 March 2010</b>	<u>100,000</u>	<u>35,845</u>	<u>10,000</u>	<u>73,411</u>	<u>219,256</u>
<b>Balance as at 31 December 2010</b>	100,000	35,845	10,000	82,209	228,054
Cumulative effect of change in accounting policy for employee benefits (Note 1.4, 2)	-	-	-	(7,100)	(7,100)
Total comprehensive income for the period	-	-	-	10,282	10,282
<b>Balance as at 31 March 2011</b>	<u>100,000</u>	<u>35,845</u>	<u>10,000</u>	<u>85,391</u>	<u>231,236</u>

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

**Dhanamitr Factoring Public Company Limited**

**Notes to interim financial statements**

**For the three-month periods ended 31 March 2011 and 2010**

**1. General information**

**1.1 Corporate information**

Dhanamitr Factoring Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company was listed on the Market for Alternative Investment (MAI) on 25 August 2004. Its parent company is AIRA Capital Company Limited. The Company is principally engaged in receivable factoring. The registered office of the Company is at 444 Olympia Thai Tower, 6<sup>th</sup> Floor, Ratchadapisek Road, Samsenok, Huaykwang, Bangkok.

On 25 February 2011, the Company was informed by Chirathiwat Group and The Siam Commercial Bank Plc., which were the two major shareholders of the Company, that they had sold 11,470,200 shares they held in the Company to AIRA Capital Company Limited. As a result of such transaction AIRA Capital Company Limited held 57.35 percent of the issue capital of the Company, reaching the point at which AIRA Capital Company Limited is required to make a tender offer for all shares of the Company. On 8 March 2011, AIRA Capital Company Limited and Summit Corporation Company Limited submitted a statement of intent to make a tender offer (form 247-3), whereby they will offer to purchase the shares at a price of Baht 24 each during tender offer period from 9 March 2011 to 18 April 2011.

On 21 April 2011, AIRA Capital Company Limited and Summit Corporation Company Limited reported the results of tender offer for the shares of the Company. There were as follows:

- AIRA Capital Company Limited holds of 11,470,200 shares, or 57.35% of the issued capital of the Company
- Summit Corporation Company Limited holds of 4,543,400 shares, or 22.72% of the issued capital of the Company

**1.2 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2009) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in

shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

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

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

### **1.3 Application of new accounting standards during the period**

During the current period, the Company adopted a number of revised and new accounting standards, issued by the Federation of Accounting Professions, as listed below.

Accounting standards:

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets

TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

Financial reporting standards:

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Financial Reporting Standard Interpretations:

TFRIC 15	Agreements for the Construction of Real Estate
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Accounting Standard Interpretations:

SIC 31	Revenue-Barter Transactions Involving Advertising Services
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These accounting standards will not have any significant impact on the financial statements for the current period, except for the following accounting standards.

**TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. The Company previously accounted for such employee benefits when they were incurred.

The Company has changed this accounting policy in the current year and recognise the liability in the transition period through an adjustment to the beginning balance of retained earnings in the current period. The change will have the effect of decreasing the profit of the Company for the three-month period ended 31 March 2011 by Baht 0.3 million, or 0.01 Baht per share. The cumulative effect of the changes in the accounting policy has been presented in Note 2 to the financial statements.

**1.4 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2010, except for the changes in the following accounting policies due to the adoption of revised and new accounting standards.

### **Employee benefits**

#### *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's contributions are recognised as expenses when incurred.

#### *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 plan is determined by a professionally qualified independent actuary, using the projected unit credit method. Such determination is made based on various assumptions, including discount rate, future salary increase rate, staff turnover rate, mortality rate, and inflation rate.

For the first-time adoption of TAS 19 Employee Benefits, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in the current period.

## **2. Cumulative effect of changes in accounting policies due to the adoption of new accounting standards**

During the current period, the Company made the changes to its significant accounting policies described in Note 1.4 to the financial statements, as a result of the adoption of revised and new accounting standards. The cumulative effect of the changes in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

## **3. New accounting standards issued during the period not yet effective**

During the current period, the Federation of Accounting Professions issued the below listed new accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standard Interpretations:

- SIC 10 Government Assistance - No Specific Relation to Operating Activities
- SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets



## SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

**4. Related party transactions**

During the period, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	For the three-month periods ended		Transfer Pricing Policy
	31 March		
	<u>2011</u>	<u>2010</u>	
<u>Transactions with related companies</u>			
Interest income from factoring	282 <sup>(1)</sup>	704	Market price
Fees and services income	151 <sup>(1)</sup>	169	Market price
Interest expenses - Former Shareholders			
Group	1,711 <sup>(1)</sup>	1,521	Money market rate
Interest expenses - Current Shareholders			
Group	651 <sup>(2)</sup>	-	Money market rate
Examination fees on factoring documents	126 <sup>(1)</sup>	177	In line with the market rate

<sup>(1)</sup> Transactions with a group of former shareholders are during 1 January 2011 to 28 February 2011.

<sup>(2)</sup> Transactions with a group of current shareholders are during 1 to 31 March 2011.

The nature of the relationships between the Company and its related parties are summarised below.

Name of entities	Nature of relationships
<b>Current Shareholders Group</b>	
AIRA Capital Company Limited	Major Shareholder
Summit Corporation Company Limited	Shareholder of the Company
AIRA Securities Public Company Limited	Common shareholders
<b>Former Shareholders Group</b>	
Central Department Store Co., Ltd.	Common shareholders
Robinson Department Store Public Co., Ltd.	Common shareholders
Power Buy Co.,Ltd.	Common shareholders
Siam Commercial Bank Public Co., Ltd.	Shareholder of the Company
Malee Enterprise Co., Ltd.	Subsidiary of common shareholders
Abico Dairy Farm Co., Ltd.	Subsidiary of common shareholders

As at 31 March 2011 and 31 December 2010, the balances of the accounts between the Company and those related companies are as follows:

	(Unit: Thousand Baht)		
	31 March 2011	31 December 2010	
<b>Cash and cash equivalents - related party</b>			
<b>Cash at bank</b>			
Siam Commercial Bank Public Co., Ltd.*	-	22,028	
<b>Factoring receivables - related parties</b>			
Malee Enterprise Co., Ltd.*	-	39,079	
Abico Dairy Farm Co., Ltd.*	-	2,853	
<b>Total</b>	-	41,932	
<b>Short-term loans from financial institutions - net - related parties</b>			
AIRA Securities Public Company Limited	297,476	-	
Siam Commercial Bank Public Co., Ltd.*	-	458,000	
<b>Total</b>	297,476	458,000	
<b>Other current liabilities - related parties</b>			
<b>Accrued examination fees on factoring documents</b>			
Central Department Store Co., Ltd.*	-	39	
Robinson Department Store Public Co., Ltd.*	-	15	
Power Buy Co.,Ltd.*	-	11	
	-	65	
<b>Accrued interest</b>			
Siam Commercial Bank Public Co., Ltd.*	-	575	
<b>Total</b>	-	640	
*	<i>Former</i>	<i>Shareholders</i>	<i>Group</i>

During the period, movements of short-term loan from a related party are as follows:

(Unit: Thousand Baht)

	Balance as at 1 January 2011	Increase	decrease	Balance as at 31 March 2011
<u>AIRA Securities Public Company Limited</u>				
Face value of bill of exchange	-	300,000	-	300,000
Prepaid interest expenses	-	(3,175)	651	(2,524)
Bill of exchange -net	-	296,825	651	297,476

Short-term loan from a related party is bill of exchange with face value amounting to Baht 300 million and carries interest rate at market interest rate and due in July 2011.

#### Directors and management's benefits

During three-month period ended 31 March 2011 the Company had salaries, bonuses, meeting allowances, gratuities and provision for long-term employee benefits of their directors and management recognised as expenses totalling Baht 4.2 million (2010: Baht 3.5 million).

#### **5. Statements of cash flows**

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at financial institutions with an original maturity of 3 months or less.

Cash and cash equivalents as reflected in the statements of cash flows consist of the followings:

(Unit: Thousand Baht)

	For the periods ended 31 March	
	2011	2010
Cash	10	10
Deposits at financial institutions	11,316	6,153
<b>Total</b>	<b>11,326</b>	<b>6,163</b>

**6. Factoring receivables**

	(Unit: Thousand Baht)	
	31 March 2011	31 December 2010
<b>Related parties</b>		
Factoring receivables	-	51,952
Accrued interest income from factoring	-	14
Total	-	51,966
Less: Factoring payables	-	(9,880)
Unearned interest income	-	(154)
Factoring receivables - related parties	-	41,932
<b>Other parties</b>		
Factoring receivables	1,914,582	2,227,661
Accrued interest income from factoring	3,286	3,592
Total	1,917,868	2,231,253
Less: Factoring payables	(351,610)	(369,772)
Unearned interest income	(12,188)	(11,056)
	1,554,070	1,850,425
Less: allowance for doubtful accounts	(49,874)	(48,680)
Factoring receivables - other parties net	1,504,196	1,801,745
<b>Factoring receivables - net</b>	<b>1,504,196</b>	<b>1,843,677</b>

The balances of factoring receivables as at 31 March 2011 and 31 December 2010, aged on the basis of due dates, are summarised below.

	(Unit: Thousand Baht)	
Age of factoring receivables	31 March 2011	31 December 2010
<b>Factoring receivables - Related parties</b>		
Not yet due	-	43,786
Past due		
Up to 3 months	-	8,166
	-	51,952

(Unaudited but reviewed)

Age of factoring receivables	(Unit: Thousand Baht)	
	31 March 2011	31 December 2010
<b>Factoring receivables - Other parties</b>		
Not yet due	1,715,300	1,936,064
Past due		
Up to 3 months	120,702	217,484
3 - 6 months	7,166	4,172
Over 6 months	71,414	69,941
	<u>1,914,582</u>	<u>2,227,661</u>
<b>Total factoring receivables</b>	<u>1,914,582</u>	<u>2,279,613</u>

As at 31 March 2011, factoring receivables which were overdue for over 6 months amounting to Baht 71 million (31 December 2010: Baht 70 million) before setting off the amount repayable to the transferor upon settlement of the factored debts amounting to Baht 25 million (31 December 2010: Baht 25 million). The Company has provided a full amount of allowance for doubtful accounts for such net receivables.

## 7. Loans receivable

(Unit: Thousand Baht)

	Amounts due:							
	Within one year		Over one year but within five years		Over five years but within seven years		Total	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Not yet due	25,011	30,286	24,283	25,594	2,500	3,400	51,794	59,280
Past due								
Over 12 months	27,351	27,351	-	-	-	-	27,351	27,351
<b>Total</b>	<u>52,362</u>	<u>57,637</u>	<u>24,283</u>	<u>25,594</u>	<u>2,500</u>	<u>3,400</u>	<u>79,145</u>	<u>86,631</u>
Less: allowance for doubtful accounts	(27,351)	(27,351)	-	-	-	-	(27,351)	(27,351)
<b>Net</b>	<u>25,011</u>	<u>30,286</u>	<u>24,283</u>	<u>25,594</u>	<u>2,500</u>	<u>3,400</u>	<u>51,794</u>	<u>59,280</u>

As at 31 March 2011, the Company had loans receivable from two non-related companies totalling Baht 39.63 million (31 December 2010: 44.84 million) under four loan agreements, due by July 2011, May 2012, June 2014 and December 2016. Principal is to be settled by a month aggregate installment amounting to Baht 1.74 million, plus interest at over than MOR per annum. The Company holds leasehold rights as collateral.

## 8. Equipment

The equipment changes for three-month period ended 31 March 2011, are summarised as below.

	(Unit: Thousand Baht)
<b>Net book value as at 1 January 2011</b>	3,898
Acquisitions during period - at cost	1,383
Depreciation for period	(483)
<b>Net book value as at 31 March 2011</b>	<u>4,798</u>

## 9. Short-term loans from financial institutions

	(Unit: Thousand Baht)	
	31 March	31 December
	2011	2010
<b>Short - term loans from financial institutions</b>	<u>          </u>	<u>          </u>
Promissory notes	918,000	1,587,000
Bill of exchange	300,000	-
Less: Prepaid interest expenses	(2,524)	-
Total	<u>1,215,476</u>	<u>1,587,000</u>

As at 31 March 2011, the Company had credit facilities for bank overdrafts and short-term loans from financial institutions totalling Baht 2,265 million (31 December 2010: Baht 1,805 million). Under these credit facilities, the Company has to comply with certain terms and conditions prescribed in the agreements such as not to mortgage, pledge or create of commitment over any fixed assets (Negative pledge) or maintain the financial ratio, etc.

As at 31 March 2011, the Company had unutilised credit facilities totalling Baht 1,047 million (31 December 2010: Baht 218 million).

**10. Other current liabilities**

	(Unit: Thousand Baht)	
	31 March	31 December
	2011	2010
Deposits and cheque in transit awaiting to transfer	33,339	50,700
Other current liabilities	8,004	5,417
<b>Total</b>	<b>41,343</b>	<b>56,117</b>

**11. Segment information**

The Company's business operations involve a single industry segment, the factoring business, and are carried on in the single geographic area in Thailand. As a result, all of the revenues, operating income and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

**12. 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 in issue during the period.

**13. Commitments and contingent liabilities****Operating lease commitments**

The Company has entered into several lease agreements in respect of the lease of office building space. The terms of the agreements are generally 1 year.

As at 31 March 2011, future minimum lease payments payable less than 1 year required under these non-cancellable operating leases contracts were Baht 1.95 million.

**14. Reclassification**

Certain amounts in the financial statements for the year ended 31 December 2010 and for the period ended 31 March 2010 have been reclassified to conform to the current period's classification but with no effect to previously reported profit for period or shareholders' equity. The reclassifications are as follows:

	(Unit: Thousand Baht)	
	<u>As reclassified</u>	<u>As previously reported</u>
<u>Statements of financial position</u>		
Factoring payables	-	50,700
Other non-current liabilities	56,117	5,417
<u>Statements of comprehensive income</u>		
Administrative expenses	11,211	7,699
Directors' and management benefit expenses	-	3,512

**15. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's Audit Committee on 6 May 2011.