

AIRA Factoring Public Company Limited
Review report and interim financial information
For the three-month period ended 31 March 2013

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of AIRA Factoring Public Company Limited

I have reviewed the accompanying statement of financial position of AIRA Factoring Public Company Limited as at 31 March 2013, the related statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period then ended, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

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

Conclusion

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

Emphasis of matter

I draw attention to Note 3 to the financial statements regarding the change in accounting policy as the result of adoption of Thai Accounting Standard 12 *Income Taxes*. My conclusion is not qualified in respect of this matter.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 25 April 2013

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(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Statement of comprehensive income

For the three-month period ended 31 March 2013

		(Unit: Thousand Baht)	
	Note	2013	2012
			(Restated)
Profit or loss:			
Revenues			
Interest income from factoring		39,461	28,457
Fees and services income		8,008	5,832
Other income		2,301	1,364
Total revenues		<u>49,770</u>	<u>35,653</u>
Expenses			
Administrative expenses		15,029	17,461
Total expenses		<u>15,029</u>	<u>17,461</u>
Profit before finance cost and income tax expenses		34,741	18,192
Finance cost	4	(14,132)	(8,542)
Profit before income tax expenses		20,609	9,650
Income tax expenses	9	(3,536)	(2,563)
Profit for the period		<u>17,073</u>	<u>7,087</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>17,073</u></u>	<u><u>7,087</u></u>
Earnings per share			
Basic earnings per share		<u>0.43</u>	<u>0.18</u>
Weighted average number of ordinary shares (Thousand shares)		<u>40,000</u>	<u>40,000</u>

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

(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Cash flow statement

For the three-month period ended 31 March 2013

	(Unit: Thousand Baht)	
	2013	2012
Cash flows from operating activities		
Profit before tax	20,609	9,650
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation	580	537
Allowance for doubtful accounts (Reverse)	(3,009)	3,086
Gain on sales of equipment	-	(667)
Provision for long-term employee benefits	534	320
Interest expenses	14,132	8,542
Profit from operating activities before changes in operating assets and liabilities	32,846	21,468
Operating assets (increase) decrease		
Factoring receivables	456,893	253,588
Loans receivable	7,309	(6,333)
Other receivables	327	(476)
Other current assets	(1,390)	(347)
Deposits and guarantees	760	(29)
Operating liabilities increase (decrease)		
Retentions from factoring	(1,854)	(8,601)
Other payables	508	(575)
Other current liabilities	(36,976)	(18,290)
Cash flows from operating activities	458,423	240,405
Cash paid for corporate income tax	(248)	(137)
Net cash flows from operating activities	458,175	240,268

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

(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Cash flow statement (continued)

For the three-month period ended 31 March 2013

(Unit: Thousand Baht)

	2013	2012
Cash flows from investing activities		
Acquisition of equipment	(2,670)	(1,956)
Proceeds from sales of equipment	-	667
Net cash flows used in investing activities	(2,670)	(1,289)
Cash flows from financing activities		
Decrease in short-term loans from financial institutions	(456,000)	(224,340)
Interest paid	(13,268)	(9,459)
Net cash flows used in financing activities	(469,268)	(233,799)
Net increase (decrease) in cash and cash equivalents	(13,763)	5,180
Cash and cash equivalents at beginning of period	61,752	23,376
Cash and cash equivalents at end of period	47,989	28,556

Supplemental cash flows information:

Non-cash transactions

Increase in other payables from purchases of equipment	549	-
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The accompanying notes are an integral part of the financial statements.

AIRA Factoring Public Company Limited

Notes to interim financial statements

For the three-month period ended 31 March 2013

1. General information

1.1 Corporate information

AIRA 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 Public Company Limited which was incorporated in Thailand. The Company is principally engaged in receivable factoring. On 1 April 2013, the Company registered the change of its head office's address from 444 Olympia Thai Tower, 6th Floor, Ratchadapisek Road, Samsenok, Huaykwang, Bangkok to 319 Chamchuri Square, 20th floor, Phayathai Road, Pathumwan Sub-District, Pathumwan District, Bangkok.

1.2 Basis of 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

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 years 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

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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 *Income Taxes*

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy in this current quarter and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 3 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 2012, except for the change in the accounting policies due to the adoption of TAS 12 *Income Taxes* as follow:

Income tax

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

		<u>Effective date</u>
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	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.

3. Cumulative effect of the change in accounting policies due to the adoption of new accounting standard

During the current period, the Company made the change described in Note 1.4 to the financial statements to its significant accounting policies, as a result of the adoption of TAS 12 *Income Taxes*. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	(Unit: Thousand Baht)		
	As at 31 March 2013	As at 31 December 2012	As at 1 January 2012
	<hr/>	<hr/>	<hr/>
Statements of financial position			
Increase in deferred tax assets	5,377	5,270	4,060
Increase in unappropriated retained earnings	5,377	5,270	4,060

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three- month period ended 31 March 2013	For the three- month period ended 31 March 2012
Statements of comprehensive income		
Profit or loss:		
Decrease in income tax	107	459
Increase in total comprehensive income for the period	107	459
Increase in basic earnings per share (Baht)	0.002	0.011

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: Million Baht)

	For the three-month periods ended 31 March		
	2013	2012	Transfer Pricing Policy
<u>Transactions with a related company</u>			
Interest expenses	6	-	Money market rate

As at 31 March 2013 and 31 December 2012, the balances of the accounts between the Company and a related company are as follows:

(Unit: Thousand Baht)

	31 March 2013	31 December 2012
Short-term loans from financial institutions		
- related party		
Related company	499,503	796,531

(Unaudited but reviewed)

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

(Unit: Thousand Baht)

Short-term loans	Related by	Balance as at 31 December 2012	Increase	Decrease	Balance as at 31 March 2013
<u>AIRA Securities Public Company Limited</u>	Related by common shareholders				
Face value of bill of exchange		800,000	500,000	(800,000)	500,000
Prepaid interest expenses		(3,469)	(2,933)	5,905	(497)
Bill of exchange - net		<u>796,531</u>	<u>497,067</u>	<u>(794,095)</u>	<u>499,503</u>

Short-term loans from a related company were bills of exchange with face values of Baht 500 million and Baht 300 million, which carried interest at market interest rates and matured on 11 February 2013 and 18 February 2013, respectively.

On 11 February 2013, the Company rolled over the bill of exchange with a face value of Baht 500 million. It carried interest at the market interest rate and matured in April 2013. On 11 April 2013, the Company rolled over the bill of exchange again, and it now carries interest at the market interest rate and matures in July 2013.

On 18 February 2013, the Company repaid the whole balance of the bill of exchange with a face value of Baht 300 million.

Directors and management's benefits

During three-month periods ended 31 March 2013 and 2012, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	For the three-month periods ended 31 March	
	2013	2012
Short-term employee benefits	<u>5</u>	<u>5</u>

5. Factoring receivables

(Unit: Thousand Baht)

	31 March 2013	31 December 2012
Factoring receivables	2,447,490	2,914,445
Accrued interest income from factoring	3,956	6,231
Total	2,451,446	2,920,676
Less: Factoring payables	(443,352)	(457,139)
Unearned interest income	(15,348)	(13,898)
	1,992,746	2,449,639
Less: Allowance for doubtful accounts	(37,427)	(40,436)
Factoring receivables - net	1,955,319	2,409,203

The balances of factoring receivables as at 31 March 2013 and 31 December 2012, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

Age of factoring receivables	31 March 2013	31 December 2012
Not yet due	2,326,963	2,818,080
Past due		
Up to 3 months	58,110	31,833
3 - 6 months	3,806	1,434
Over 6 months	58,611	63,098
Total factoring receivables	2,447,490	2,914,445

As at 31 March 2013, factoring receivables which were overdue for over 6 months amounting to Baht 59 million (31 December 2012: Baht 63 million) before setting off the amount repayable to the transferor upon settlement of the factored debts amounting to Baht 15 million (31 December 2012: Baht 16 million). The Company has provided a full amount of allowance for doubtful accounts for such net receivables.

6. Loans receivable

(Unit: Thousand Baht)

	Amounts due:					
	Within one year		Over one year but within five years		Total	
	31	31	31	31	31	31
	March	December	March	December	March	December
	2013	2012	2013	2012	2013	2012
Not yet due	94,287	102,338	23,722	22,980	118,009	125,318

7. Short-term loans from financial institutions

As at 31 March 2013 and 31 December 2012, the Company had credit facilities for bank overdrafts and short-term loans from financial institutions. 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 2013, the credit facilities of the Company which have not yet been drawn down amounted to Baht 1,341 million (31 December 2012: Baht 1,185 million).

8. Other current liabilities

(Unit: Thousand Baht)

	31 March 2013	31 December 2012
Deposits and cheque in transit awaiting to transfer	32,616	71,616
Other current liabilities	4,133	2,109
Total	36,749	73,725

9. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

(Unaudited but reviewed)

Income tax expenses for the three-month periods ended 31 March 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
Current income tax:		
Interim corporate income tax charge	3,643	3,022
Deferred tax:		
Relating to origination and reversal of temporary differences	<u>(107)</u>	<u>(459)</u>
Income tax expense reported in the statements of comprehensive income	<u><u>3,536</u></u>	<u><u>2,563</u></u>

10. Segment information

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

The one main reportable operating segment of the Company is the factoring business and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

11. Commitments and contingent liabilities

11.1 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 9 years. Future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)	
	<u>31 March</u>	<u>31 December</u>
	<u>2013</u>	<u>2012</u>
Payable:		
in up to 1 year	4	3
In over 1 and up to 5 years	17	17
In over 5 years	20	21

11.2 Service commitments

As at 31 March 2013, the Company has the commitments of Baht 2 million payable in 2013 in respect of various construction and service agreements (31 December 2012: Baht 5 million).

12. Event after the reporting period

On 10 April 2013, the Annual General Meeting of the shareholders approved the dividend payment for the year 2013 of Baht 1 per share. The dividend is allocated from the 2012 net income totalling Baht 40 million.

13. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 25 April 2013.