

AIRA Factoring Public Company Limited
Review report and interim financial information
For the three-month and six-month periods ended 30 June 2014

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 30 June 2014, the related statements of comprehensive income for the three-month and six-month periods ended 30 June 2014, changes in shareholders' equity, and cash flows for the six-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*.

Rungnapa Lertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

Bangkok: 7 August 2014

(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Cash flow statement

For the six-month period ended 30 June 2014

	(Unit: Thousand Baht)	
	2014	2013
Cash flows from operating activities		
Profit (loss) before tax	(1,593)	43,231
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:		
Depreciation	2,309	1,647
Allowance for doubtful accounts (reversal)	24,700	(5,130)
Gain on sales of equipment	-	(385)
Share-based payment transactions	84	-
Provision for long-term employee benefits	1,194	1,068
Interest expenses	27,119	32,655
Income from operating activities before changes in operating assets and liabilities	53,813	73,086
Operating assets (increase) decrease		
Factoring receivables	440,434	286,840
Loans receivable	(23,200)	(3,096)
Other receivable	13	268
Other current assets	783	(419)
Deposits and guarantees	(4)	754
Operating liabilities increase (decrease)		
Retention from factoring	(2,438)	1,998
Other payable	(574)	1,056
Other current liabilities	(8,117)	(5,508)
Cash paid for long-term employee benefits	(3,990)	-
Other non-current liabilities	118	103
Cash flows from operating activities	456,838	355,082
Cash paid for corporate income tax	(7,757)	(9,054)
Net cash flows from operating activities	449,081	346,028

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 six-month period ended 30 June 2014

(Unit: Thousand Baht)

	2014	2013
Cash flows from investing activities		
Acquisition of equipment	(3,501)	(9,135)
Proceeds from sales of equipment	-	385
Net cash flows used in investing activities	(3,501)	(8,750)
Cash flows from financing activities		
Dividend paid	(28,000)	(52,000)
Increase (decrease) in short-term loans from financial institutions	(390,000)	122,000
Cash paid for interest expenses	(31,901)	(30,597)
Net cash flows from (used in) financing activities	(449,901)	39,403
Net increase (decrease) in cash and cash equivalents	(4,321)	376,681
Cash and cash equivalents at beginning of period	87,426	61,752
Cash and cash equivalents at end of period	83,105	438,433

Supplemental cash flows information:

Non-cash transactions

Purchase of equipment recorded as liabilities	-	1,592
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The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Statement of comprehensive income

For the three-month period ended 30 June 2014

		(Unit: Thousand Baht)	
	Note	2014	2013
Profit or loss:			
Revenues			
Interest income from factoring		36,538	45,976
Fees and services income		6,804	8,587
Other income		2,328	2,791
Total revenues		<u>45,670</u>	<u>57,354</u>
Expenses			
Administrative expenses		40,354	16,209
Total expenses		<u>40,354</u>	<u>16,209</u>
Profit before finance cost and income tax expenses		5,316	41,145
Finance cost	2	(13,534)	(18,523)
Profit (loss) before income tax expenses		(8,218)	22,622
Income tax expenses		(2,540)	(4,125)
Profit (loss) for the period	7	<u>(10,758)</u>	<u>18,497</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>(10,758)</u>	<u>18,497</u>
Earnings per share			
Basic earnings (loss) per share		<u>-0.27</u>	<u>0.46</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

Statement of comprehensive income

For the six-month period ended 30 June 2014

		(Unit: Thousand Baht)	
	Note	2014	2013
Profit or loss:			
Revenues			
Interest income from factoring		72,382	85,437
Fees and services income		12,996	16,595
Other income		4,235	5,092
Total revenues		<u>89,613</u>	<u>107,124</u>
Expenses			
Administrative expenses		64,087	31,238
Total expenses		<u>64,087</u>	<u>31,238</u>
Profit before finance cost and income tax expenses		25,526	75,886
Finance cost	2	(27,119)	(32,655)
Profit (loss) before income tax expenses		(1,593)	43,231
Income tax expenses		(4,700)	(7,661)
Profit (loss) for the period	7	<u>(6,293)</u>	<u>35,570</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>(6,293)</u>	<u>35,570</u>
Earnings per share			
Basic earnings (loss) per share		<u>-0.16</u>	<u>0.89</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
Statement of changes in shareholders' equity
For the six-month period ended 30 June 2014

(Unit: Thousand Baht)

	Issued and fully paid-up share capital	Share premium	Capital contribution from parent company	Retained earnings		Total shareholders' equity
				Appropriated	Unappropriated	
Balance as at 1 January 2013	200,000	35,845	-	14,900	90,829	341,574
Total comprehensive income for the period	-	-	-	-	35,570	35,570
Dividend paid (Note 9)	-	-	-	-	(52,000)	(52,000)
Balance as at 30 June 2013	<u>200,000</u>	<u>35,845</u>	<u>-</u>	<u>14,900</u>	<u>74,399</u>	<u>325,144</u>
Balance as at 1 January 2014	200,000	35,845	103	18,200	100,259	354,407
Total comprehensive income for the period	-	-	84	-	(6,293)	(6,209)
Dividend paid (Note 9)	-	-	-	-	(28,000)	(28,000)
Balance as at 30 June 2014	<u>200,000</u>	<u>35,845</u>	<u>187</u>	<u>18,200</u>	<u>65,966</u>	<u>320,198</u>

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

AIRA Factoring Public Company Limited

Notes to interim financial statements

For the six-month period ended 30 June 2014

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. The registered office of the Company is at 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 2012) "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 New accounting standards

(a) Accounting standards that became effective in the current accounting year

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact.

(b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standards that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company.

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 2013.

2. 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 30 June		For the six-month periods ended 30 June		Transfer Pricing Policy
	2014	2013	2014	2013	
<u>Transactions with a related company</u>					
Interest expenses	1,044	5,464	1,371	11,369	Money market rate

As at 30 June 2014 and 31 December 2013, the balances of the accounts between the Company and a related company are as follows:

(Unit: Thousand Baht)

	30 June 2014	31 December 2013
Short-term loans from financial institutions - related party		
Related company	496,942	619,673

(Unaudited but reviewed)

(Unit: Thousand Baht)

	30 June 2014	31 December 2013
Other payables - related party		
Related company	229	-

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 2013	Increase	Decrease	Balance as at 30 June 2014
<u>AIRA Securities Public Company Limited</u>	Related by common shareholders				
Face value of bill of exchange		620,000	500,000	(620,000)	500,000
Prepaid interest expenses		(327)	(4,102)	1,371	(3,058)
Bill of exchange - net		619,673	495,898	(618,629)	496,942

As at 30 June 2014, short-term loans from a related company are bills of exchange with face values of Baht 300 million and Baht 200 million, which carry interest at market interest rates and mature on 2 September 2014 and 10 September 2014, respectively.

Directors and management's benefits

During three-month and six-month periods ended 30 June 2014 and 2013, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2014	2013	2014	2013
Short-term employee benefits	5	6	11	11
Post-employee benefits	1	-	1	-
Total	6	6	12	11

3. Factoring receivables

(Unit: Thousand Baht)

	<u>30 June 2014</u>	<u>31 December 2013</u>
Factoring receivables	2,622,344	3,155,049
Accrued interest income from factoring	9,192	7,115
Total	2,631,536	3,162,164
Less: Factoring payables	(360,056)	(447,613)
Unearned interest income	(11,808)	(14,445)
Total	2,259,672	2,700,106
Less: Allowance for doubtful accounts	(62,530)	(37,830)
Factoring receivables - net	2,197,142	2,662,276

The balances of factoring receivables as at 30 June 2014 and 31 December 2013, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

Age of factoring receivables	<u>30 June 2014</u>	<u>31 December 2013</u>
Not yet due	2,440,208	3,016,121
Past due		
Up to 3 months	38,456	62,543
3 - 6 months	49,200	25,272
Over 6 months	94,480	51,113
Total factoring receivables	2,622,344	3,155,049

As at 30 June 2014, factoring receivables which were overdue for over 6 months amounting to Baht 94 million (31 December 2013: Baht 51 million) before setting off the amount repayable to the transferor upon settlement of the factored debts amounting to Baht 22 million (31 December 2013: Baht 14 million). The Company has provided a full amount of allowance for doubtful accounts for such net receivables.

4. Loans receivable

(Unit: Thousand Baht)

Current portion of loans receivable		Loans receivable		Total	
31 December		31 December		31 December	
30 June 2014	2013	30 June 2014	2013	30 June 2014	2013
60,376	34,567	70,938	73,547	131,314	108,114

The Company has restructured factoring receivables by means of modification of terms. The balance before restructuring amounted to Baht 73 million and the repayment period was about 7 years. However, this restructuring by modification of terms does not result in any loss. During the six-month period ended 30 June 2014, the Company received principal and interest payments totalling Baht 3 million and 2 million, respectively (2013: the Company received principal and interest payments totalling Baht 4 million and 2 million, respectively).

As at 30 June 2014, the loan receivable balance amounted to Baht 61 million (31 December 2013: Baht 64 million)

5. Short-term loans from financial institutions

As at 30 June 2014 and 31 December 2013, 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 30 June 2014, the credit facilities of the Company which have not yet been drawn down amounted to Baht 1,338 million (31 December 2013: Baht 768 million).

6. Other current liabilities

(Unit: Thousand Baht)

	30 June 2014	31 December 2013
Deposits and cheque in transit awaiting to transfer	71,663	85,396
Other current liabilities	7,628	2,012
Total	79,291	87,408

7. Income tax

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

Income tax expenses for the three-month and six-month periods ended 30 June 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	1,880	4,252	4,165	7,895
Deferred tax:				
Relating to origination and reversal of temporary differences	<u>660</u>	<u>(127)</u>	<u>535</u>	<u>(234)</u>
Income tax expense reported in the statements of comprehensive income	<u>2,540</u>	<u>4,125</u>	<u>4,700</u>	<u>7,661</u>

8. Segment information

The Company is principally engaged in the factoring business. Its operations are carried on only in 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 profit(loss) and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographical area.

9. Dividends

Dividend	Approved by	Total dividend (Thousand Baht)	Dividend per share (Baht)
Dividend from profit for period 2012	Annual General Meeting of the shareholders on 10 April 2013	40,000	1.00
Dividend from profit for the first quarter of 2013	Meeting of the Company's Board of Directors on 3 May 2013	<u>12,000</u>	<u>0.30</u>

(Unaudited but reviewed)

Total for 2013

52,000 1.30

(Unaudited but reviewed)

Dividend	Approved by	Total dividend (Thousand Baht)	Dividend per share (Baht)
Dividend from the 2013 net income	Annual General Meeting of the shareholders on 28 April 2014	28,000	0.70
Total for 2014		<u>28,000</u>	<u>0.70</u>

10. Commitments and contingent liabilities

10.1 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)	
	30 June 2014	31 December 2013
Payable:		
In up to 1 year	4	4
In over 1 and up to 5 years	17	17
In over 5 years	15	17

11. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 7 August 2014.