

AIRA Factoring Public Company Limited
Review report and interim financial information
For the three-month and six-month periods ended
30 June 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 30 June 2013, the related statements of comprehensive income for the three-month and six-month periods ended 30 June 2013, 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*.

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.

RungnapaLertsuwankul

Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited

Bangkok: 5 August 2013

AIRA Factoring Public Company Limited**Statement of financial position**

(Unit: Thousand Baht)

	Note	30 June 2013	31 December 2012	1 January 2012
		(Unaudited but reviewed)	(Audited) (Restated)	
Assets				
Current assets				
Cash and cash equivalents		438,433	61,752	23,376
Factoring receivables	5	2,127,493	2,409,203	1,538,723
Current portion of loans receivable	6	106,691	102,338	21,616
Other receivables		207	475	11
Other current assets		625	206	248
Total current assets		2,673,449	2,573,974	1,583,974
Non-current assets				
Loans receivable	6	21,723	22,980	-
Equipment		14,076	4,996	4,902
Deposits and guarantees		1,188	1,942	994
Deferred tax assets	3	5,504	5,270	4,060
Total non-current assets		42,491	35,188	9,956
Total assets		2,715,940	2,609,162	1,593,930

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

AIRA Factoring Public Company Limited

Statement of financial position (continued)

(Unit: Thousand Baht)

	Note	30 June 2013	31 December 2012	1 January 2012
		(Unaudited but reviewed)	(Audited) (Restated)	
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans from financial institutions	4, 7	2,240,565	2,116,531	1,151,000
Retentions from factoring		52,828	50,830	54,324
Other payables		7,984	5,312	6,379
Income tax payable		7,284	8,443	3,322
Other current liabilities	8	68,217	73,725	34,297
Total current liabilities		2,376,878	2,254,841	1,249,322
Non-current liabilities				
Provision for long-term employee benefits		13,815	12,747	8,280
Other non-current liabilities		103	-	-
Total non-current liabilities		13,918	12,747	8,280
Total liabilities		2,390,796	2,267,588	1,257,602
Shareholders' equity				
Share capital				
Registered				
40,000,000 ordinary shares of Baht 5 each		200,000	200,000	200,000
Issued and fully paid-up				
40,000,000 ordinary shares of Baht 5 each		200,000	200,000	200,000
Share premium		35,845	35,845	35,845
Retained earnings				
Appropriated - statutory reserve		14,900	14,900	12,600
Unappropriated		74,399	90,829	87,883
Total shareholders' equity		325,144	341,574	336,328
Total liabilities and shareholders' equity		2,715,940	2,609,162	1,593,930
		-	-	-

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

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Directors
.....

(Unaudited but reviewed)

AIRA Factoring Public Company Limited

Statement of comprehensive income

For the three-month period ended 30 June 2013

		(Unit: Thousand Baht)	
	Note	2013	2012
			(Restated)
Profit or loss:			
Revenues			
Interest income from factoring		45,976	31,727
Fees and services income		8,587	6,978
Other income		2,791	815
Total revenues		<u>57,354</u>	<u>39,520</u>
Expenses			
Administrative expenses		16,209	16,507
Total expenses		<u>16,209</u>	<u>16,507</u>
Profit before finance cost and income tax expenses		41,145	23,013
Finance cost	4	(18,523)	(10,492)
Profit before income tax expenses		22,622	12,521
Income tax expenses		(4,125)	(3,308)
Profit for the period	9	<u>18,497</u>	<u>9,213</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>18,497</u>	<u>9,213</u>
Earnings per share			
Basic earnings per share		<u>0.46</u>	<u>0.23</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 2013

		(Unit: Thousand Baht)	
	Note	2013	2012
			(Restated)
Profit or loss:			
Revenues			
Interest income from factoring		85,437	60,184
Fees and services income		16,595	12,810
Other income		5,092	2,179
Total revenues		<u>107,124</u>	<u>75,173</u>
Expenses			
Administrative expenses		31,238	33,968
Total expenses		<u>31,238</u>	<u>33,968</u>
Profit before finance cost and income tax expenses		75,886	41,205
Finance cost	4	(32,655)	(19,034)
Profit before income tax expenses		43,231	22,171
Income tax expenses		(7,661)	(5,871)
Profit for the period	9	<u>35,570</u>	<u>16,300</u>
Other comprehensive income:			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u>35,570</u>	<u>16,300</u>
Earnings per share			
Basic earnings per share		<u>0.89</u>	<u>0.41</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 2013

(Unit: Thousand Baht)

	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
Balance as at 31 December 2011 - as previously reported	200,000	35,845	12,600	83,823	332,268
Cumulative effect of change in accounting policy for deferred tax (Note 3)	-	-	-	4,060	4,060
Balance as at 1 January 2012 - as restated	200,000	35,845	12,600	87,883	336,328
Total comprehensive income for the period	-	-	-	16,300	16,300
Dividend paid (Note 11)	-	-	-	(40,000)	(40,000)
Balance as at 30 June 2012	<u>200,000</u>	<u>35,845</u>	<u>12,600</u>	<u>64,183</u>	<u>312,628</u>
Balance as at 31 December 2012 - as previously reported	200,000	35,845	14,900	85,559	336,304
Cumulative effect of change in accounting policy for deferred tax (Note 3)	-	-	-	5,270	5,270
Balance as at 1 January 2013 - as restated	200,000	35,845	14,900	90,829	341,574
Total comprehensive income for the period	-	-	-	35,570	35,570
Dividend paid (Note 11)	-	-	-	(52,000)	(52,000)
Balance as at 30 June 2013	<u>200,000</u>	<u>35,845</u>	<u>14,900</u>	<u>74,399</u>	<u>325,144</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 six-month period ended 30 June 2013

	(Unit: Thousand Baht)	
	2013	2012
Cash flows from operating activities		
Profit before tax	43,231	22,171
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation	1,647	1,143
Allowance for doubtful accounts	(5,130)	4,826
Gain on sales of equipment	(385)	(670)
Provision for long-term employee benefits	1,068	639
Interest expenses	32,655	19,033
Income from operating activities before changes in operating assets and liabilities	73,086	47,142
Operating assets (increase) decrease		
Factoring receivables	286,840	(420,803)
Loans receivable	(3,096)	(8,699)
Other receivable	268	(220)
Other current assets	(419)	(267)
Deposits and guarantees	754	(20)
Operating liabilities increase (decrease)		
Retention from factoring	1,998	(9,198)
Other payable	1,056	(1,230)
Other current liabilities	(5,508)	4,788
Other non-current liabilities	103	-
Cash flows from (used in) operating activities	355,082	(388,507)
Cash paid for corporate income tax	(9,054)	(3,687)
Net cash flows from (used in) operating activities	346,028	(392,194)

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 2013

(Unit: Thousand Baht)

	2013	2012
Cash flows from investing activities		
Acquisition of equipment	(9,135)	(2,365)
Proceeds from sales of equipment	385	670
Net cash flows used in investing activities	<u>(8,750)</u>	<u>(1,695)</u>
Cash flows from financing activities		
Dividend paid	(52,000)	(40,000)
Increase in short-term loans from financial institutions	122,000	456,000
Cash paid for interest expenses	(30,597)	(18,802)
Net cash flows from financing activities	<u>39,403</u>	<u>397,198</u>
Net increase in cash and cash equivalents	<u>376,681</u>	<u>3,309</u>
Cash and cash equivalents at beginning of period	<u>61,752</u>	<u>23,376</u>
Cash and cash equivalents at end of period	<u><u>438,433</u></u>	<u><u>26,685</u></u>
	-	
Supplemental cash flows information:		
Non-cash transactions		
Increase in other payables from purchase of equipment	1,592	-

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 and six-month period ended 30 June 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, all of which 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:

SIC10 Government Assistance - No Specific Relation to Operating Activities

SIC21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC25 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 between the carrying amount of an asset or liability in the statement of financial position and its tax base and 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.

Current tax

Current income 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 legislation.

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 they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward 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 shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

2. New accounting standards issued during the period and not yet effective

During the current period, the Federation of Accounting Professions has issued notifications, which have been published in the Royal Gazette, 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
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

		<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 30 June 2013	As at 31 December 2012	As at 1 January 2012
Statements of financial position			
Increase in deferred tax assets	5,504	5,270	4,060
Increase in unappropriated retained earnings	5,504	5,270	4,060

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 30 June		For the six-month periods ended 30 June	
	2013	2012	2013	2012
Statements of comprehensive income				
Profit or loss:				
Decrease in income tax	127	64	234	523
Increase in total comprehensive income for the period	127	64	234	523
Increase in basic earnings per share (Baht)	0.003	0.001	0.006	0.013

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 30 June		For the six-month periods ended 30 June		Transfer Pricing Policy
	2013	2012	2013	2012	
<u>Transactions with a related company</u>					
Interest expenses	5	-	11	-	Money market rate

As at 30 June 2013 and 31 December 2012, the balances of the accounts between the Company and a related company are as follows:

(Unit: Thousand Baht)

	<u>30 June 2013</u>	<u>31 December 2012</u>
Short-term loans from financial institutions		
- related party		
Related company	<u>798,565</u>	<u>796,531</u>

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		Balance as at 30 June	
		2012	Increase	Decrease	2013
<u>AIRA Securities Public Company Limited</u>	Related by common shareholders				
Face value of bill of exchange		800,000	1,300,000	(1,300,000)	800,000
Prepaid interest expenses		(3,469)	(9,334)	11,368	(1,435)
Bill of exchange - net		<u>796,531</u>	<u>1,290,666</u>	<u>(1,288,632)</u>	<u>798,565</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 July 2013 and 1 August 2013, respectively.

On 11 July 2013, the Company repaid the balance of the bill of exchange with a face value of Baht 200 million and rolled over the bill of exchange with a face value of Baht 300 million. It carried interest at the market interest rate and matured in September 2013.

Directors and management's benefits

During the three-month and six-month periods ended 30 June 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 30 June		For the six-month periods ended 30 June	
	2013	2012	2013	2012
Short-term employee benefits	5,706	4,575	10,993	9,211
Post-employment benefits	296	192	577	384
Total	<u>6,002</u>	<u>4,767</u>	<u>11,570</u>	<u>9,595</u>

5. Factoring receivables

	(Unit: Thousand Baht)	
	<u>30 June 2013</u>	<u>31 December 2012</u>
Factoring receivables	2,607,035	2,914,445
Accrued interest income from factoring	5,540	6,231
Total	2,612,575	2,920,676
Less: Factoring payables	(434,367)	(457,139)
Unearned interest income	(15,409)	(13,898)
	<u>2,162,799</u>	<u>2,449,639</u>
Less: Allowance for doubtful accounts	(35,306)	(40,436)
Factoring receivables - net	<u>2,127,493</u>	<u>2,409,203</u>

The balances of factoring receivables as at 30 June 2013 and 31 December 2012, aged on the basis of due dates, are summarised below.

	(Unit: Thousand Baht)	
<u>Age of factoring receivables</u>	<u>30 June 2013</u>	<u>31 December 2012</u>
Not yet due	2,496,509	2,818,080
Past due		
Up to 3 months	53,981	31,833
3 - 6 months	1,756	1,434
Over 6 months	54,789	63,098
Total factoring receivables	<u>2,607,035</u>	<u>2,914,445</u>

As at 30 June 2013, factoring receivables which were overdue for over 6 months amounting to Baht 55 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 14 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:					
	Over one year					
	Within one year		but within five years		Total	
	30	31	30	31	30	31
	June	December	June	December	June	December
	2013	2012	2013	2012	2013	2012
Not yet due	<u>106,691</u>	<u>102,338</u>	<u>21,723</u>	<u>22,980</u>	<u>128,414</u>	<u>125,318</u>

7. Short-term loans from financial institutions

As at 30 June 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 30 June 2013, the credit facilities of the Company which have not yet been drawn down amounted to Baht 1,063 million (31 December 2012: Baht 1,185 million).

8. Other current liabilities

(Unit: Thousand Baht)

	<u>30 June 2013</u>	<u>31 December 2012</u>
Deposits and cheque in transit awaiting to transfer	60,785	71,616
Other current liabilities	7,432	2,109
Total	<u>68,217</u>	<u>73,725</u>

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.

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

	(Unit: Thousand Baht)			
	For the three-month periods		For the six-month periods	
	ended 30 June		ended 30 June	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	4,252	3,372	7,895	6,394
Deferred tax:				
Relating to origination and reversal of temporary differences	(127)	(64)	(234)	(523)
Income tax expense reported in the statements of comprehensive income	<u>4,125</u>	<u>3,308</u>	<u>7,661</u>	<u>5,871</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. Dividends

Dividend	Approved by	Total dividend (Thousand Baht)	Dividend per share (Baht)
Dividend from the 2011 net income and the Company's retained earnings	Annual General Meeting of the shareholders on 18 April 2012	40,000	1.00
Total for 2012		<u>40,000</u>	<u>1.00</u>

(Unaudited but reviewed)

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 firstquarter of 2013	Meeting of the Company's Board of Directors on 3 May 2013	12,000	0.30
Total for 2013		52,000	1.30

12. Commitments and contingent liabilities

12.1 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 2013	31 December 2012
Payable:		
in up to 1 year	4	3
In over 1 and up to 5 years	17	17
In over 5 years	19	21

12.2 Service commitments

As at 31 December 2012, the Company has the commitments of Baht 5 million payable in 2013 in respect of various construction and service agreements (30 June 2013: Nil).

13. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company's authorised directors on 5 August 2013.