

AIRA Factoring Public Company Limited
Report and financial statements
31 December 2013

Independent Auditor's Report

To the Shareholders of AIRA Factoring Public Company Limited

I have audited the accompanying financial statements of AIRA Factoring Public Company Limited, which comprise the statement of financial position as at 31 December 2013, and the related comprehensive income, changes in shareholders' equity and cash flows for the year 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 AIRA Factoring Public Company Limited as at 31 December 2013, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Emphasis of matter

I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 *Income Taxes*. The Company has restated the financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the statement of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.

RungnapaLertsuwankul

Certified Public Accountant (Thailand) No. 3516

EY Office Limited

(Formerly known as "Ernst& Young Office Limited")

Bangkok: 25 February 2014

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Opinion

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I draw attention to Note 4 to the financial statements regarding the change in accounting policy due to the adoption of Thai Accounting Standard 12 *Income Taxes*. The Company has restated the financial statements for the year ended 31 December 2012, presented herein as comparative information, to reflect the adjustments resulting from such change. The Company has also presented the statement of financial position as at 1 January 2012 as comparative information, using the newly adopted accounting policy for income taxes. My opinion is not qualified in respect of this matter.



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Certified Public Accountant (Thailand) No. 3516

EY Office Limited

(Formerly known as "Ernst & Young Office Limited")

Bangkok: 25 February 2014

AIRA Factoring Public Company Limited**Statement of financial position****As at 31 December 2013**

(Unit: Baht)

	Note	As at 31 December 2013	As at 31 December 2012 (restated)	As at 1 January 2012
Assets				
Current assets				
Cash and cash equivalents	8	87,425,774	61,751,955	23,376,344
Factoring receivables	9	2,662,275,556	2,409,203,565	1,538,723,240
Current portion of loans receivable	10	34,566,839	102,338,305	21,616,211
Other receivables		117,058	475,389	11,279
Other current assets		1,452,237	205,869	247,361
Total current assets		2,785,837,464	2,573,975,083	1,583,974,435
Non-current assets				
Loans receivable	10	73,547,446	22,980,000	-
Equipment	11	13,742,995	4,995,757	4,902,373
Deposits and guarantees		1,192,791	1,941,480	994,220
Deferred tax assets	18	5,725,135	5,269,774	4,060,115
Total non-current assets		94,208,367	35,187,011	9,956,708
Total assets		2,880,045,831	2,609,162,094	1,593,931,143

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

AIRA Factoring Public Company Limited
Statement of financial position (continued)
As at 31 December 2013

(Unit: Baht)

	Note	As at 31 December 2013	As at 31 December 2012 (restated)	As at 1 January 2012
Liabilities and shareholders' equity				
Current liabilities				
Short-term loans from financial institutions	7, 12	2,356,672,674	2,116,530,818	1,151,000,000
Retentions from factoring		52,840,137	50,830,106	54,324,295
Other payables		6,400,856	5,312,106	6,378,790
Income tax payable		7,276,217	8,443,491	3,322,453
Other current liabilities	13	87,408,221	73,725,282	34,297,457
Total current liabilities		2,510,598,105	2,254,841,803	1,249,322,995
Non-current liabilities				
Provision for long-term employee benefits	14	14,883,064	12,746,607	8,280,373
Other non-current liabilities		157,853	-	-
Total non-current liabilities		15,040,917	12,746,607	8,280,373
Total liabilities		2,525,639,022	2,267,588,410	1,257,603,368
Shareholders' equity				
Share capital	15			
Registered				
40,000,000 ordinary shares of Baht 5 each		200,000,000	200,000,000	200,000,000
Issued and fully paid-up				
40,000,000 ordinary shares of Baht 5 each		200,000,000	200,000,000	200,000,000
Share premium		35,844,889	35,844,889	35,844,889
Capital contribution from parent company		103,051	-	-
Retained earnings				
Appropriated - statutory reserve	16	18,200,000	14,900,000	12,600,000
Unappropriated		100,258,869	90,828,795	87,882,886
Total shareholders' equity		354,406,809	341,573,684	336,327,775
Total liabilities and shareholders' equity		2,880,045,831	2,609,162,094	1,593,931,143

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

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Directors
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AIRA Factoring Public Company Limited
Statement of comprehensive income
For the year ended 31 December 2013

	Note	2013	2012 (restated)
Profit or loss:			
Revenues			
Interest income from factoring		171,448,336	139,643,928
Fees and services income		33,405,322	29,906,669
Other income		9,576,504	5,210,516
Total revenues		<u>214,430,162</u>	<u>174,761,113</u>
Expenses			
Administrative expenses		68,370,547	66,480,950
Total expenses		<u>68,370,547</u>	<u>66,480,950</u>
Profit before finance cost and income tax expenses		146,059,615	108,280,163
Finance cost	7	(65,662,764)	(48,546,035)
Profit before income tax expenses		80,396,851	59,734,128
Income tax expenses	18	(15,666,777)	(14,488,219)
Profit for the year		<u>64,730,074</u>	<u>45,245,909</u>
Other comprehensive income:			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>64,730,074</u></u>	<u><u>45,245,909</u></u>
Earnings per share			
Basic earnings per share	19	<u>1.62</u>	<u>1.13</u>
Weighted average number of ordinary shares (shares)		<u>40,000,000</u>	<u>40,000,000</u>

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

AIRA Factoring Public Company Limited**Cash flow statement****For the year ended 31 December 2013**

	Note	2013	2012
(Unit: Baht)			
Cash flows from operating activities			
Profit before tax		80,396,851	59,734,128
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:			
Depreciation		3,948,156	2,371,637
Bad debt and doubtful accounts (reversal)		(2,605,433)	4,041,392
Gain on sales of equipment		(384,875)	(669,924)
Provision for long-term employee benefits		2,136,457	4,466,234
Share-based payment transactions		103,051	-
Interest expenses		65,662,764	48,546,035
Profit from operating activities before changes in operating assets and liabilities		149,256,971	118,489,502
Operating assets (increase) decrease			
Factoring receivables		(250,466,558)	(874,521,717)
Loans receivable		17,204,020	(103,702,094)
Other receivables		358,331	(464,110)
Other current assets		(1,246,368)	41,492
Deposits and guarantees		748,689	(947,260)
Operating liabilities increase (decrease)			
Retentions from factoring		2,010,031	(3,494,189)
Other payables		450,744	(534,483)
Other current liabilities		13,682,939	39,427,825
Other non-current liabilities		157,853	-
Cash flows used in operating activities		(67,843,348)	(825,705,034)
Cash paid for corporate income tax		(17,289,412)	(10,576,840)
Net cash flows used in operating activities		(85,132,760)	(836,281,874)

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

AIRA Factoring Public Company Limited**Cash flow statement (continued)**

For the year ended 31 December 2013

		(Unit: Baht)	
	Note	2013	2012
Cash flows from investing activities			
Acquisition of equipment		(12,664,268)	(2,465,023)
Proceeds from sales of equipment		384,993	669,926
Net cash flows used in investing activities		<u>(12,279,275)</u>	<u>(1,795,097)</u>
Cash flows from financing activities			
Increase in short-term loans from financial institutions		237,000,000	969,000,000
Interest paid		(61,914,146)	(52,547,418)
Dividend paid		(52,000,000)	(40,000,000)
Net cash flows from financial activities		<u>123,085,854</u>	<u>876,452,582</u>
Net increase in cash and cash equivalents		25,673,819	38,375,611
Cash and cash equivalents at beginning of year		61,751,955	23,376,344
Cash and cash equivalents at end of year	8	<u><u>87,425,774</u></u>	<u><u>61,751,955</u></u>
 Supplement cashflow information			
Non-cash transaction			
Purchase of equipment recorded as liabilities		31,244	-

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

AIRA Factoring Public Company Limited
Statement of changes in shareholders' equity
For the year ended 31 December 2013

	(Unit: 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 31 December 2011 - as previously reported	200,000,000	35,844,889	-	12,600,000	83,822,771	332,267,660
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	4,060,115	4,060,115
Balance as at 1 January 2012 - as restated	200,000,000	35,844,889	-	12,600,000	87,882,886	336,327,775
Dividends paid (Note 22)	-	-	-	-	(40,000,000)	(40,000,000)
Total comprehensive income for the year	-	-	-	-	45,245,909	45,245,909
Transferred to statutory reserve (Note 16)	-	-	-	2,300,000	(2,300,000)	-
Balance as at 31 December 2012 - as restated	<u>200,000,000</u>	<u>35,844,889</u>	<u>-</u>	<u>14,900,000</u>	<u>90,828,795</u>	<u>341,573,684</u>
Balance as at 31 December 2012 - as previously reported	200,000,000	35,844,889	-	14,900,000	85,559,021	336,303,910
Cumulative effect of change in accounting policy for deferred tax (Note 4)	-	-	-	-	5,269,774	5,269,774
Balance as at 1 January 2013 - as restated	200,000,000	35,844,889	-	14,900,000	90,828,795	341,573,684
Share-based payment transactions	-	-	103,051	-	-	103,051
Dividends paid (Note 22)	-	-	-	-	(52,000,000)	(52,000,000)
Total comprehensive income for the year	-	-	-	-	64,730,074	64,730,074
Transferred to statutory reserve (Note 16)	-	-	-	3,300,000	(3,300,000)	-
Balance as at 31 December 2013	<u>200,000,000</u>	<u>35,844,889</u>	<u>103,051</u>	<u>18,200,000</u>	<u>100,258,869</u>	<u>354,406,809</u>
	-	-	-	-	-	-
	-	-	-	-	-	-

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

AIRA Factoring Public Company Limited

Notes to financial statements

For the year ended 31 December 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.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

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

3. New accounting standards

Below is a summary of accounting standards that became effective in the current accounting year and those that will become effective in the future.

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

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:

TSIC10 Government Assistance - No Specific Relation to
Operating Activities

TSIC21 Income Taxes - Recovery of Revalued Non-
Depreciable Assets

TSIC25 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 period 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 4 to the financial statements.

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

		<u>Effective date</u>
Accounting Standards:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 7 (revised 2012)	Statement of Cash Flows	1 January 2014
TAS 12 (revised 2012)	Income Taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 19 (revised 2012)	Employee Benefits	1 January 2014
TAS 21 (revised 2012)	The Effects of Changes in Foreign Exchange Rates	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014

		<u>Effective date</u>
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014
TAS 36 (revised 2012)	Impairment of Assets	1 January 2014
TAS 38 (revised 2012)	Intangible Assets	1 January 2014
Financial Reporting Standards:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5 (revised 2012)	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets - Web Site Costs	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
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 <i>Financial Reporting in Hyperinflationary Economies</i>	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
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The Company's management believes that these accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

4. Cumulative effect of changes in accounting policies due to the adoption of new accounting standard

During the current year, the Company made the changes described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of Thai Accounting Standard 12 Income Taxes. The cumulative effect of the changes 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 December 2013	As at 31 December 2012	As at 1 January 2012
Statements of financial position			
Increase in deferred tax assets	5,725	5,270	4,060
Increase in unappropriated retained earnings	5,725	5,270	4,060

	(Unit: Thousand Baht)	
	For the year ended 31 December	
	2013	2012
Statements of comprehensive income		
Profit or loss:		
Decrease in income tax	455	1,210
Increase in total comprehensive income for the year	455	1,210
Increase in basic earnings per share (Baht)	0.011	0.030

5. Significant accounting policies

5.1 Revenue recognition

Interest income from factoring

Interest income from factoring is recognised in the profit or loss using the effective interest rate method, over the period of debts being factored.

Fees and services income

Fees and service income is recognised when rights have been transferred or when services have been rendered taking into account the stage of completion.

Other income

Other income is recognised in the profit or loss on an accrual basis.

5.2 Expenses recognition

Finance cost

Interest expenses and similar costs are recognised on an accrual basis and charged to the profit or loss for the period in which they are incurred.

Other expenses

Other expenses are recognised in the profit or loss on an accrual basis.

5.3 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.4 Factoring receivables

Factoring receivables are stated at the amount net of allowance for doubtful accounts and discount on factoring in advance.

5.5 Loans receivable

Loans receivable are stated at principal amount net of allowance for doubtful accounts.

5.6 Allowance for doubtful accounts

The allowance for doubtful accounts for factoring receivables is set at the higher of:

- (1) A percentage of net factoring receivables (i.e. factoring receivables less factoring payables) as follows:

Factoring receivables	%
Not yet due	0
Past due up to 3 months	0
Past due over 3 months but within 6 months	20
Past due over 6 months	100

- (2) 0.25% of total net factoring receivables

In addition, the Company considers to set up additional allowance for doubtful accounts for each debtor based on collection experience and analysis of debt aging.

Allowance for doubtful accounts for loans receivable and other receivables is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

Bad debts are written-off as incurred.

5.7 Troubled debt restructuring

In cases where the debt restructuring involves modifications of the terms, the fair value of the receivables after restructuring is based on the net present value of expected future cash flows, discounted by the interest rate under the modified terms which forms the basis for making collection from the debtor. Differences between the fair values of receivables as of the restructuring date and their previous book values is recorded in "Revaluation allowance for debt restructuring", and recognised as an expense in profit or loss in the statements of comprehensive income in the year in which the restructuring takes place. The Company reviews such revaluation allowance based on the net present value of future cash flows over the remaining period to maturity, recognising adjustments to the allowance against impairment of loan receivable.

5.8 Equipment/Depreciation

Equipment is stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

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

Computers	-	3 years
Furniture and fixtures	-	5 years
Office equipment	-	5 years
Motor vehicles	-	5 years

Depreciation is included in determining income.

5.9 Related party transactions

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 associated companies and 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 authority in the planning and direction of the Company's operations.

5.10 Impairment of assets

At the end of each reporting period, the Company performs impairment reviews in respect of the equipment 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.

An impairment loss is recognised in profit or loss.

5.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

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.

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 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.

For the first-time adoption of TAS 19 Employee Benefits in 2011, 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 2011.

5.12 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.

5.13 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 it recognises 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.

5.14 Share-Based Payment

The parent company allotted warrants under Employee Stock Option Plan to employees of the Company.

The Company recognizes share-based payment transactions when services from employees are rendered, based on the fair value of the share options on the grant date. The expenses are recorded over the vesting period, in accordance with the conditions regarding length of service rendered by employees stipulated in the share-based payment plan, together with a corresponding increase in "capital contribution from parent company" in shareholders' equity.

Estimating fair value for share-based payment transactions requires management to exercise judgement, and to apply assumptions, including as to the expected life of the share options, share price volatility and dividend yield

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 estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses 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.

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, mortality rate and staff turnover rate.

7. Related party transactions

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

Name of entities	Nature of relationships
AIRA Capital Public Company Limited	Major shareholder
Summit Corporation Company Limited	Shareholder of the Company
AIRA Securities Public Company Limited	Common shareholders

During the years, 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)

	2013	2012	Transfer Pricing Policy
<u>Transactions with related companies</u>			
Interest expenses	18	1	Money market rate

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

(Unit: Thousand Baht)

	2013	2012
Short-term loans from financial institutions - related party		
Related company	<u>619,673</u>	<u>796,531</u>

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

(Unit: Thousand Baht)

Short-term loans	Related by	Balance as at			Balance as at
		31 December	Increase	Decrease	31 December
		2012			2013
<u>AIRA Securities Public</u>	Related by				
<u>Company Limited</u>	common				
	shareholders				
Face value of bill of exchange		800,000	2,220,000	(2,400,000)	620,000
Prepaid interest expenses		(3,469)	(15,170)	18,312	(327)
Bill of exchange - net		<u>796,531</u>	<u>2,204,830</u>	<u>(2,381,688)</u>	<u>619,673</u>

Short-term loans from a related company are bills of exchange with face values of Baht 320 million and Baht 300 million, which carry interest at market interest rates and mature on 3 January 2014 and 10 January 2014, respectively.

On 3 January 2014 and 10 January 2014, the Company repaid the balance of the bill of exchange with face value of Baht 320 million and Baht 300 million, respectively.

Directors and management's benefits

During the years ended 31 December 2013 and 2012, the Company had employee benefit expenses payable to their directors and management as below.

	(Unit: Million Baht)	
	2013	2012
Short-term employee benefits	23	20
Post employment benefits	1	2
Total	<u>24</u>	<u>22</u>

8. Cash and cash equivalents

	(Unit: Thousand Baht)	
	2013	2012
Cash	10	10
Deposits at financial institutions	87,416	61,742
Total	<u>87,426</u>	<u>61,752</u>

As at 31 December 2013, bank deposits in saving accounts carried interests 0.50% per annum (2012: between 0.62% and 0.63% per annum).

9. Factoring receivables

	(Unit: Thousand Baht)	
	2013	2012
Factoring receivables	3,155,049	2,914,445
Accrued interest income from factoring	7,115	6,231
Total	3,162,164	2,920,676
Less: Factoring payables	(447,613)	(457,139)
Unearned interest income	(14,445)	(13,898)
	2,700,106	2,449,639
Less: allowance for doubtful accounts	(37,830)	(40,436)
Factoring receivables - net	<u>2,662,276</u>	<u>2,409,203</u>

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

(Unit: Thousand Baht)

Age of factoring receivables	2013	2012
Not yet due	3,016,121	2,818,080
Past due		
Up to 3 months	62,543	31,833
3 - 6 months	25,272	1,434
Over 6 months	51,113	63,098
Total factoring receivables	<u>3,155,049</u>	<u>2,914,445</u>

As at 31 December 2013, factoring receivables which were overdue for over 6 months amounting to Baht 51 million (2012: Baht 63 million) before setting off the amount repayable to the transferor upon settlement of the factored debts amounting to Baht 14 million (2012: Baht 16 million). The Company has provided a full amount of allowance for doubtful accounts for such net receivables.

10. Loans receivable

(Unit: Thousand Baht)

	2013	2012
Amounts due:		
Within one year	34,567	102,338
Over one year but within seven years	73,547	22,980
Total	<u>108,114</u>	<u>125,318</u>

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 year 31 December 2013, the Company received principal and interest payments totaling Baht 7 million and 4 million, respectively.

As at 31 December 2013, the loan receivable balance amounted to Baht 64 million (2012: Baht 71 million)

11. Equipment

(Unit: Thousand Baht)

	Computers	Furniture and fixtures	Office equipment	Motor vehicles	Total
Cost:					
1 January 2012	3,293	1,380	772	10,069	15,514
Additions	550	58	139	1,718	2,465
Disposals/write-off	(16)	-	-	(1,667)	(1,683)
31 December 2012	3,827	1,438	911	10,120	16,296
Additions	1,107	8,629	279	2,680	12,695
Disposals/write-off	(804)	(123)	(387)	(930)	(2,244)
31 December 2013	4,130	9,944	803	11,870	26,747
Accumulated depreciation:					
1 January 2012	2,897	1,029	611	6,075	10,612
Depreciation for the year	342	152	86	1,791	2,371
Depreciation on disposals/write-off	(16)	-	-	(1,667)	(1,683)
31 December 2012	3,223	1,181	697	6,199	11,300
Depreciation for the year	527	1,349	108	1,964	3,948
Depreciation on disposals/write-off	(804)	(123)	(387)	(930)	(2,244)
31 December 2013	2,946	2,407	418	7,233	13,004
Net book value:					
1 January 2012	396	351	161	3,994	4,902
31 December 2012	604	257	214	3,921	4,996
31 December 2013	1,184	7,537	385	4,637	13,743
Depreciation for the year					
2012					2,371
2013					3,948

As at 31 December 2013, certain equipment items have been fully depreciated but are still in use. The gross carrying amount before deducting accumulated depreciation of those assets amounted to approximately Baht6 million (2012: Baht 5 million).

12. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (% per annum)	2013	2012
Short-term loans from financial institutions			
Promissory notes	3.59 - 5.30	1,737,000	1,320,000
Bill of exchange - related party	3.40 - 3.70	620,000	800,000
Less: Prepaid interest expenses		(327)	(3,469)
Total		2,356,673	2,116,531

As at 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 31 December 2013, the credit facilities of the Company which have not yet been drawn down amounted to Baht 768 million (2012: Baht 1,185 million).

13. Other current liabilities

(Unit: Thousand Baht)

	2013	2012
Deposits and cheque in transit awaiting to transfer	85,396	71,616
Other current liabilities	2,012	2,109
Total	87,408	73,725

14. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

	2013	2012
Defined benefit obligation at beginning of year	12,746	8,280
Current service cost	1,691	865
Interest cost	446	413
Actuarial loss recognised during the year	-	3,188
Provisions for long-term employee benefits at end of year	14,883	12,746

Long-term employee benefit expenses included in the profit or loss was as follows:

	(Unit: Thousand Baht)	
	2013	2012
Current service cost	1,691	865
Interest cost	446	413
Actuarial loss recognised during the year	-	3,188
Total expense recognized in profit or loss	2,137	4,466

Such expenses are included in administrative expenses in profit or loss

Principal actuarial assumptions at the valuation date were as follows:

	2013	2012
	(% per annum)	(% per annum)
Discount rate	3.5	3.5
Future salary increase rate	8.0	8.0

Amounts of defined benefit obligation for the current and previous three periods are as follows:

	(Unit: Thousand Baht)	
	Defined benefit obligation	Experience adjustments arising on the plan liabilities
Year 2013	14,883	-
Year 2012	12,746	931
Year 2011	8,280	-
Year 2010	7,100	-

15. Share capital

On 9 September 2011, the Extraordinary General Meeting of Shareholders of the Company passed a resolution to increase the Company's registered share capital from Baht 100 million to Baht 200 million in order to provide working capital and to fund expansion of its business, through the issue of 20 million ordinary shares with a par value of Baht 5 each, totalling Baht 100 million, to be offered to the existing shareholders at a rate of 1 new ordinary share for each existing ordinary share.

In September 2011, the Company received share subscription in full. The Company registered the increase in its share capital with the Ministry of Commerce on 10 October 2011 and the Market for Alternative Investment (MAI) approved the additional ordinary shares as listed securities on 17 October 2011.

16. 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% of its net profit after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

17. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	2013	2012
Salary, wages and other employee benefits	46,744	42,481
Depreciation	3,948	2,371
Bad debt and doubtful accounts	(2,605)	4,041
Specific business tax	7,061	5,741
Examination fess on factoring documents	3,352	2,546
Office rental expense	3,442	2,452

18. Income tax

Income tax expenses for the years ended 31 December 2013 and 2012 are made up as follows:

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
Current income tax:		
Current income tax charge	16,122	15,698
Deferred tax:		
Relating to origination and reversal of temporary differences	(455)	(1,403)
Effects of changes in the applicable tax rates	-	193
Income tax expense reported in the statement of comprehensive income	<u>15,667</u>	<u>14,488</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2013 and 2012

	(Unit: Thousand Baht)	
	<u>2013</u>	<u>2012</u>
		(Restated)
Accounting profit before tax	<u>80,397</u>	<u>59,734</u>
Applicable tax rate	20%	23%
Accounting profit before tax multiplied by applicable tax rate	16,079	13,739
Unrecognised temporary differences	(517)	473
Effects of changes in the applicable tax rates	-	193
Effects of:		
Non-deductible expenses	120	119
Additional expense deductions allowed	(15)	(36)
Total	<u>105</u>	<u>83</u>
Income tax expenses reported in the statement of comprehensive income	<u>15,667</u>	<u>14,488</u>

The components of deferred tax assets and deferred tax liabilities are as follows:

	(Unit: Thousand Baht)		
	Statements of financial position		
	As at 31	As at 31	As at 1
	December 2013	December 2012	January 2012
		(Restated)	
Deferred tax assets			
Allowance for doubtful accounts	2,717	2,721	2,404
Provision for long-term employee benefits	2,977	2,549	1,656
Accrued rental expense	31	-	-
Total	<u>5,725</u>	<u>5,270</u>	<u>4,060</u>

In October 2011, the cabinet passed a resolution to reduce the corporate income tax rate from 30 percent to 23 percent in 2012, and then to 20 percent from 2013. In addition, in order to comply with the resolution of the cabinet, in December 2012, the decreases in tax rates for 2013 - 2014 were enacted through a royal decree. The Company has reflected the changes in the income tax rates in its deferred tax calculation, as presented above.

19. Earnings per share

Basic earnings per share is calculated by dividing profit (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

20. 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.

21. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. The Company contributes to the fund monthly at the rate of 5% - 10% of basic salary and employees contribute to the fund monthly at the rate of 3% - 10% of basic salary. The fund, which is managed by SCB Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2013, the Company contributed Baht 2 million (2012: Baht 2 million) to the fund.

22. 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		40,000	1.00

Total Dividend

Dividend	Approved by	dividend (Thousand Baht)	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	12,000	0.30
Total for 2013		<u>52,000</u>	<u>1.30</u>

23. Commitments and contingent liabilities

23.1 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)	
	As at 31 December	
	<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	17	21

23.2 Service commitments

As at 31 December 2012, the Company has the commitments of Baht5 million payable in 2012 in respect of various construction and service agreements (31 December 2013: Nil).

24. Financial instruments

24.1 Financial risk management

The Company's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, factoring receivables, loans receivable, other receivables, short-term loans, retentions from factoring and other payables. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company is exposed to credit risk primarily with respect to factoring receivables and loans receivable. The Company manages the risk by adopting appropriate credit control policies and procedures whereby the Company analyses credit details of customers and follows up customers with overdue accounts in accordance with credit control practices, and considers the amount of retentions from factoring and other obligation assets as collateral for each customer according to the assessed credit risk. Therefore, the Company does not expect to incur material financial losses. In addition, the Company does not have high concentrations of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of factoring receivables and loans receivable as stated in the statement of financial position.

Interest rate risk

The Company's exposure to interest rate risk relates primarily to its factoring receivables, cash at banks, bank overdrafts, and borrowings. The Company mitigates this risk by matching the sources of borrowings with factoring receivables to ensure that the Company maintains an accumulated average spread of interest under the Company's policy. Moreover, the Company analyses the term of interest rate movement of factoring receivables, call borrowing and less than 3 months term borrowings and the Company adjusts the interest rate charge to receivables when the interest rate changes. Thus, the Company is flexible in its response to interest rate fluctuations. In addition, since most of the Company's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities classified by type of interest rate are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Million Baht)

	As at 31 December 2013						Effective interest rate (% per annum)
	Fixed interest rates			Floating interest rate	Non-interest bearing	Total	
	Within 1 year	1-5 years	Over 5 years				
Financial Assets							
Cash and cash equivalents	-	-	-	12	75	87	
Factoring receivables	2,662	-	-	-	-	2,662	
Loans receivable	35	60	13	-	-	108	
	<u>2,697</u>	<u>60</u>	<u>13</u>	<u>12</u>	<u>75</u>	<u>2,857</u>	

(Unit: Million Baht)

As at 31 December 2013

	Fixed interest rates			Floating	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years	interest rate			
Financial liabilities							
Short-term loans from financial institutions	-	-	-	2,357	-	2,357	3.40-5.30
Retentions from factoring	-	-	-	-	53	53	-
Other payables	-	-	-	-	6	6	-
	-	-	-	2,357	59	2,416	

(Unit: Million Baht)

As at 31 December 2012

	Fixed interest rates			Floating	Non-interest bearing	Total	Effective interest rate (% per annum)
	Within 1 year	1-5 years	Over 5 years	interest rate			
Financial Assets							
Cash and cash equivalents	-	-	-	-	62	62	-
Factoring receivables	2,409	-	-	-	-	2,409	6.00 - 15.00
Loans receivable	102	23	-	-	-	125	6.00 - 12.00
	2,511	23	-	-	62	2,596	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	2,117	-	2,117	3.59 - 4.20
Retentions from factoring	-	-	-	-	51	51	-
Other payables	-	-	-	-	5	5	-
	-	-	-	2,117	56	2,173	

Liquidity risk

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

The Company has established a liquidity management policy, to ensure that the Company has sufficient liquidity to meet debt and other obligations when due in normal circumstances, and has the liquidity contingency plans in place to handle crisis situations, as well as to ensure that management of liquidity strikes an appropriate balance between costs and benefits.

Foreign currency risk

The Company is not exposed to foreign currency risk because no trading transactions are denominated in foreign currency.

24.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature, loans and borrowings bear interest rates which are close to the market rate, their fair value is not expected to be materially different from the amounts presented in statement of financial position.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instrument.

25. Capital management

The primary objective of the Company's capital management is to ensure that it has appropriate capital structure in order to support its business and maximise shareholder value. As at 31 December 2013, the Company's debt-to-equity ratio was 7.13:1 (2012: 6.64:1).

26. Event after the reporting period

On 25 February 2014, the Board of Directors of the Company passed a resolution to propose a dividend payment for the year 2013 of Baht 1.00 per share, or a total of Baht 40 million to the parent company's Board of Directors. The Company paid the interim dividend of Baht 0.30 per share, amounting to Baht 12 million. The remaining dividend payment of Baht 0.70 per share, amounting to Baht 28 million, has not been made. The payment of such dividend is to be made pending an approval from a resolution of the meeting of the parent company's Board of Directors and the meeting of shareholders.

27. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2014.