

AIRA Factoring Public Company Limited
Report and financial statements
31 December 2012

Independent Auditor's Report

To the Shareholders of AIRA Factoring Public Company Limited

I have audited the financial statements of AIRA Factoring Public Company Limited, which comprise the statement of financial position as at 31 December 2012, and the related statements of income, 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 2012, and its financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.

Rungnapa Lertsuwankul
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited
Bangkok: 15 February 2013

AIRA Factoring Public Company Limited**Statement of financial position****As at 31 December 2012**

		(Unit: Baht)	
	Note	2012	2011
Assets			
Current assets			
Cash and cash equivalents	7	61,751,955	23,376,344
Factoring receivables	8	2,409,203,565	1,538,723,240
Current portion of loans receivable	9	102,338,305	21,616,211
Other receivables		475,389	11,279
Other current assets		205,869	247,361
Total current assets		2,573,975,083	1,583,974,435
Non-current assets			
Loans receivable	9	22,980,000	-
Equipment	10	4,995,757	4,902,373
Deposits and guarantees		1,941,480	994,220
Total non-current assets		29,917,237	5,896,593
Total assets		2,603,892,320	1,589,871,028

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 2012

	Note	2012	2011
(Unit: Baht)			
Liabilities and shareholders' equity			
Current liabilities			
Short-term loans from financial institutions	6, 11	2,116,530,818	1,151,000,000
Retentions from factoring		50,830,106	54,324,295
Other payables		5,312,106	6,378,790
Income tax payable		8,443,491	3,322,453
Other current liabilities	12	73,725,282	34,297,457
Total current liabilities		2,254,841,803	1,249,322,995
Non-current liabilities			
Provision for long-term employee benefits	13	12,746,607	8,280,373
Total non-current liabilities		12,746,607	8,280,373
Total liabilities		2,267,588,410	1,257,603,368
Shareholders' equity			
Share capital	14		
Registered			
40,000,000 ordinary shares of Baht 5 each		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
Share premium		35,844,889	35,844,889
Retained earnings			
Appropriated - statutory reserve	15	14,900,000	12,600,000
Unappropriated		85,559,021	83,822,771
Total shareholders' equity		336,303,910	332,267,660
Total liabilities and shareholders' equity		2,603,892,320	1,589,871,028
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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 2012

		(Unit: Baht)	
	Note	2012	2011
Profit or loss:			
Revenues			
Interest income from factoring		139,643,928	128,841,534
Fees and services income		29,906,669	26,046,222
Other income		5,210,516	4,666,034
Total revenues		174,761,113	159,553,790
Expenses			
Administrative expenses		66,480,950	62,742,843
Total expenses		66,480,950	62,742,843
Profit before finance cost			
and income tax expenses		108,280,163	96,810,947
Finance cost	6	(48,546,035)	(41,195,369)
Profit before income tax expenses		59,734,128	55,615,578
Income tax expenses		(15,697,878)	(4,301,649)
Profit for the year		44,036,250	51,313,929
Other comprehensive income:			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		44,036,250	51,313,929
Earnings per share			
Basic earnings per share	17	1.10	2.00
Weighted average number of ordinary shares (shares)		40,000,000	25,643,835

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 2012**

	(Unit: Baht)	
	2012	2011
Cash flows from operating activities		
Profit before tax	59,734,128	55,615,578
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation	2,371,637	1,971,989
Bad debt and doubtful accounts	4,041,392	10,325,387
Loss on write-off of equipment	-	718
Gain on sales of equipment	(669,924)	(499)
Provision for long-term employee benefits	4,466,234	1,179,970
Interest expenses	48,546,035	41,195,369
Profit from operating activities before changes in operating assets and liabilities	118,489,502	110,288,512
Operating assets (increase) decrease		
Factoring receivables	(874,521,717)	294,628,327
Loans receivable	(103,702,094)	37,663,684
Other receivables	(464,110)	322,829
Other current assets	41,492	(27,209)
Deposits and guarantees	(947,260)	(12,564)
Operating liabilities increase (decrease)		
Retentions from factoring	(3,494,189)	(14,726,026)
Other payables	(534,483)	972,538
Other current liabilities	39,427,825	(18,286,189)
Cash flows from (used in) operating activities	(825,705,034)	410,823,902
Cash paid for corporate income tax	(10,576,840)	(10,695,132)
Net cash flows from (used in) operating activities	(836,281,874)	400,128,770

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 2012

		(Unit: Baht)	
	Note	2012	2011
Cash flows from investing activities			
Acquisition of equipment		(2,465,023)	(2,977,148)
Proceeds from sales of equipment		669,926	500
Net cash flows used in investing activities		<u>(1,795,097)</u>	<u>(2,976,648)</u>
Cash flows from financing activities			
Increase (decrease) in short-term loans from financial institutions		969,000,000	(436,000,000)
Proceeds from increase in share capital		-	100,000,000
Interest paid		(52,547,418)	(39,321,944)
Dividend paid		(40,000,000)	(40,000,000)
Net cash flows from (used in) financing activities		<u>876,452,582</u>	<u>(415,321,944)</u>
Net increase (decrease) in cash and cash equivalents		38,375,611	(18,169,822)
Cash and cash equivalents at beginning of year		23,376,344	41,546,166
Cash and cash equivalents at end of year	7	<u><u>61,751,955</u></u>	<u><u>23,376,344</u></u>
Supplement cashflow information			
Non-cash transaction			
Adjustment of reversal for long-term employee benefits with the beginning balance of retained earnings		-	7,100,403

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 2012

	(Unit: Baht)				
	Issued and fully paid-up share capital	Share premium	Retained earnings		Total shareholders' equity
			Appropriated	Unappropriated	
Balance as at 1 January 2011	100,000,000	35,844,889	10,000,000	75,108,842	220,953,731
Increase share capital (Note 14)	100,000,000	-	-	-	100,000,000
Dividends paid (Note 20)	-	-	-	(40,000,000)	(40,000,000)
Total comprehensive income for the year	-	-	-	51,313,929	51,313,929
Transferred to statutory reserve (Note 15)	-	-	2,600,000	(2,600,000)	-
Balance as at 31 December 2011	<u>200,000,000</u>	<u>35,844,889</u>	<u>12,600,000</u>	<u>83,822,771</u>	<u>332,267,660</u>
Balance as at 1 January 2012	200,000,000	35,844,889	12,600,000	83,822,771	332,267,660
Dividends paid (Note 20)	-	-	-	(40,000,000)	(40,000,000)
Total comprehensive income for the year	-	-	-	44,036,250	44,036,250
Transferred to statutory reserve (Note 15)	-	-	2,300,000	(2,300,000)	-
Balance as at 31 December 2012	<u>200,000,000</u>	<u>35,844,889</u>	<u>14,900,000</u>	<u>85,559,021</u>	<u>336,303,910</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 2012

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 444 Olympia Thai Tower, 6th Floor, Ratchadapisek Road, Samsennok, Huaykwang, Bangkok.

2. Basis of preparation

The financial statements have been prepared in accordance with accounting 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 not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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4. Significant accounting policies

4.1 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.

4.2 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.

4.3 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.

4.4 Factoring receivables

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

4.5 Loans receivable

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

4.6 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.

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 Income tax

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.

5. 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.

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.

6. Related party transactions

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)

	2012	2011	Transfer Pricing Policy
<u>Transactions with related companies</u>			
Interest expenses - Former Shareholders			
Group	-	2 ⁽¹⁾	Money market rate
Interest expenses - Current Shareholders			
Group	1	3 ⁽²⁾	Money market rate

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

(2) Transactions with a group of current shareholders are during 1 March 2011 to 31 December 2011.

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

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

As at 31 December 2012 and 2011, the balances of the accounts between the Company and a related company are as follows:

(Unit: Thousand Baht)

	2012	2011
Short-term loans from financial institutions		
- related party		
Related company - Current shareholders group	796,531	-

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 2011	Increase	Decrease	31 December 2012
<u>AIRA Securities Public</u> <u>Company Limited</u>	Related by common shareholders				
Face value of bill of exchange		-	800,000	-	800,000
Prepaid interest expenses		-	(3,469)	-	(3,469)
Bill of exchange - net		-	796,531	-	796,531

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

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

Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Company had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	2012	2011
Short-term employee benefits	20	17
Post employment benefits	2	1
Total	22	18

7. Cash and cash equivalents

(Unit: Thousand Baht)

	2012	2011
Cash	10	10
Deposits at financial institutions	61,742	23,366
Total	61,752	23,376

As at 31 December 2012, bank deposits in saving accounts carried interests between 0.62% and 0.63% per annum (2011: between 0.67% and 0.75% per annum).

8. Factoring receivables

(Unit: Thousand Baht)

	2012	2011
Factoring receivables	2,914,445	1,852,935
Accrued interest income from factoring	6,231	4,526
Total	2,920,676	1,857,461
Less: Factoring payables	(457,139)	(272,794)
Unearned interest income	(13,898)	(9,201)
	2,449,639	1,575,466
Less: allowance for doubtful accounts	(40,436)	(36,743)
Factoring receivables - net	2,409,203	1,538,723

The balances of factoring receivables as at 31 December 2012 and 2011, aged on the basis of due dates, are summarised below.

(Unit: Thousand Baht)

Age of factoring receivables	2012	2011
Not yet due	2,818,080	1,709,279
Past due		
Up to 3 months	31,833	91,838
3 - 6 months	1,434	3,106
Over 6 months	63,098	48,712
Total factoring receivables	2,914,445	1,852,935

As at 31 December 2012, factoring receivables which were overdue for over 6 months amounting to Baht 63 million (2011: Baht 49 million) before setting off the amount repayable to the transferor upon settlement of the factored debts amounting to Baht 16 million (2011: Baht 14 million). The Company has provided a full amount of allowance for doubtful accounts for such net receivables.

9. Loans receivable

(Unit: Thousand Baht)

	Amounts due:					
	Within one year		Over one year but within four years		Total	
	2012	2011	2012	2011	2012	2011
Not yet due	102,338	21,616	22,980	-	125,318	21,616
Total	102,338	21,616	22,980	-	125,318	21,616

10. Equipment

(Unit: Thousand Baht)

	Computers	Furniture and fixtures	Office equipment	Motor vehicles	Total
Cost:					
1 January 2011	3,070	1,281	770	7,580	12,701
Additions	277	120	91	2,489	2,977
Disposals/write-off	(54)	(21)	(89)	-	(164)
31 December 2011	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
Accumulated depreciation:					
1 January 2011	2,607	895	626	4,675	8,803
Depreciation for the year	344	154	74	1,400	1,972
Depreciation on disposals/write-off	(54)	(20)	(89)	-	(163)
31 December 2011	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

(Unit: Thousand Baht)

	Computers	Furniture and fixtures	Office equipment	Motor vehicles	Total
Net book value:					
1 January 2011	463	386	144	2,905	3,898
31 December 2011	396	351	161	3,994	4,902
31 December 2012	604	257	214	3,921	4,996
Depreciation for the year					
2011					1,972
2012					2,371

As at 31 December 2012, 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 Baht 5 million (2011: Baht 6 million).

11. Short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate (% per annum)	2012	2011
Short-term loans from financial institutions			
Promissory notes	3.59 - 4.80	1,320,000	1,151,000
Bill of exchange	3.65	800,000	-
Less: Prepaid interest expenses		(3,469)	-
Total		2,116,531	1,151,000

As at 31 December 2012, the Company had credit facilities for bank overdrafts and short-term loans from financial institutions. Under these credit facilities, the Company has to comply with certain terms and conditions prescribed in the agreements such as not to mortgage, pledge or create of commitment over any fixed assets (Negative pledge) or maintain the financial ratio, etc.

As at 31 December 2012, the credit facilities of the Company which have not yet been drawn down amounted to Baht 1,185 million (2011: Baht 1,034 million).

12. Other current liabilities

(Unit: Thousand Baht)

	2012	2011
Deposits and cheque in transit awaiting to transfer	71,616	34,294
Other current liabilities	2,109	3
Total	73,725	34,297

13. Provision for long-term employee benefits

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

(Unit: Thousand Baht)

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

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

(Unit: Thousand Baht)

	2012	2011
Current service cost	865	825
Interest cost	413	355
Actuarial loss recognised during the year	3,188	-
Total expense recognized in profit or loss	4,466	1,180

Such expenses are included in administrative expenses in profit or loss

Principal actuarial assumptions at the valuation date were as follows:

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

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

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

14. 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.

15. 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.

16. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)	
	2012	2011
Salary, wages and other employee benefits	42,481	33,629
Depreciation	2,371	1,972
Bad debt and doubtful accounts	4,041	10,325
Specific business tax	5,741	5,262

Examination fess on factoring documents	2,546	2,463
Office rental expense	2,452	2,337

17. 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.

18. Segment information

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

19. 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 2012, the Company contributed Baht 2 million (2011: Baht 1 million) to the fund.

20. Dividends

Dividends	Approved by	Total dividends (Million Baht)	Dividend per share (Baht)
Interim dividend from profit for period 2010 and half year period 2011	The Company's Board of Directors on 10 August 2011	40	2.00
Dividend from profit for period 2011 and retained earnings	Annual General Meeting of Shareholders on 18 April 2012	40	1.00

21. Commitments and contingent liabilities

21.1 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>2012</u>	<u>2011</u>
Payable:		
in up to 1 year	3	3
In over 1 and up to 5 years	17	-
In over 5 years	21	-

21.2 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 (2011: Nil).

22. Financial instruments

22.1 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 2012						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	-	-	-	-	62	62	-
Factoring receivables	2,409	-	-	-	-	2,409	6.00 - 15.00
Loans receivable	102	23	-	-	-	125	6.00 - 12.00
	<u>2,511</u>	<u>23</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>2,596</u>	
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	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,117</u>	<u>56</u>	<u>2,173</u>	

(Unit: Million Baht)

	As at 31 December 2011						Effective interest rate (% per annum)
	Fixed interest rates			Floating		Total	
	Within 1 year	1-5 years	Over 5 years	interest rate	Non-interest bearing		
Financial Assets							
Cash and cash equivalents	-	-	-	-	23	23	-
Factoring receivables	1,539	-	-	-	-	1,539	6.25 - 15.00
Loans receivable	22	-	-	-	-	22	7.50 - 12.75
	<u>1,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>1,584</u>	
Financial liabilities							
Short-term loans from financial institutions	-	-	-	1,151	-	1,151	4.25 - 4.80
Retentions from factoring	-	-	-	-	54	54	-
Other payables	-	-	-	-	6	6	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151</u>	<u>60</u>	<u>1,211</u>	

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.

22.2 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.

23. 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 2012, the Company's debt-to-equity ratio was 6.74:1 (2011: 3.78:1).

24. Event after the reporting period

On 15 February 2013, the meeting of the Board of Directors passed a resolution to propose a dividend payment for the year 2012 of Baht 1 per share to the Annual General Meeting of 2013 of the Company's shareholders for their approval. The dividend is allocated from the 2012 net income totaling Baht 40 million. The payment of the final dividend is dependent on an approval being granted by the shareholders.

25. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 15 February 2013.