



GENERAL INFORMATION	2
REPORT OF THE BOARD OF DIRECTORS	6
REPORT OF THE AUDIT COMMITTEE	9
RATIO ANALYSIS	11
FIVE-YEAR SUMMARY	12
NATURE OF BUSINESS	15
SHAREHOLDERS	20
ORGANIZATION CHART	21
BOARD OF DIRECTORS	22
MANAGEMENT TEAM	25
MANAGEMENT STRUCTURE	28
GOOD CORPORATE GOVERNANCE	34
TRANSACTIONS WITH RELATED COMPANIES	39
RISK FACTORS	43
REPORT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS	47
REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS	48
FINANCIAL STATEMENTS	60



COMPANY

Scandinavian Leasing Public Company Limited

20th Floor, Two Pacific Place

142 Sukhumvit Road

Kweang Klongtoey, Khet Klongtoey, Bangkok 10110

Type of Business:	Hire purchase and leasing
Registration Number:	Bor Mor Jor 475
Telephone:	02 6532533-49
Facsimile:	02 653 2531-2
Number of Shares Issued:	60,000,000 shares
Par Value:	10 Baht
Capital Paid-Up:	600,000,000 Baht
Type of Share:	Common shares



COMPANIES OF WHICH SCAN HOLDS SHARES MORE THAN 10%

Scan Transport Service Limited

1st Floor, Supalai Place

79/339 Sukhumvit 39, Sukhumvit Road

Kweang Klongton Nua, Khet Wattana, Bangkok 10110

Type of Business:	Operating lease with maintenance service
Registration Number:	(5) 919/2540
Telephone:	02 662 0991-3
Facsimile:	02 662 0941
Number of Shares Issued:	6,000,000 shares
Par Value:	10 Baht
Capital Paid-Up:	60,000,000 Baht
Number of Shares	
held by Company:	5,999,493 shares
Proportion of Holding:	99.99%
Type of Share:	Common shares

SCAN AMC Company Limited

20th Floor, Two Pacific Place

142 Sukhumvit Road

Kweang Klongtoey, Khet Klongtoey, Bangkok 10110

Type of Business:	To manage assets transferred from creditors of Scandinavian Leasing PCL
Registration Number:	(5) 1621/2543
Telephone:	02 6532533-49
Facsimile:	02 6532531-2
Number of Shares Issued:	60,000,000 shares
Par Value:	10 Baht
Capital Paid-Up:	600,000,000 Baht
Number of Shares held	
by Company:	59,999,993 shares
Proportion of Holding:	99.99 %
Type of Share:	Common shares



Auto Receivables SPV Company Limited

20th Floor, Two Pacific Place

142 Sukhumvit Road

Kweang Klongtoey, Khet Klongtoey, Bangkok 10110

Type of Business:	To issue bonds under Thai Law and Securitization Act. B.E. 2540, and use the fund to purchase rights over hire-purchase contracts from Scandinavian Leasing PCL
Registration Number:	0107554709024
Telephone:	02 6532533-49
Facsimile:	02 6532531-2
Number of Shares Issued:	1,000 shares
Par Value:	10 Baht
Capital Paid-Up:	10,000 Baht
Number of Shares held by Company:	260 shares
Proportion of Holding:	26.0 %
Type of Share:	260 Common Shares 740 Preferred Shares
Debentureholders' Representative/Registrar/Underwriter/Back-up Servicer:	Kasikornbank Public Company Limited
Servicer:	Scandinavian Leasing Public Company Limited
Corporate Manager:	Scan Transport Service Limited



OTHER REFERENCES

SECURITY REGISTRAR

Thailand Securities Depository Company Limited

4th Floor, The Stock Exchange of Thailand Building

62 Ratchadapisek Road

Kweang Klongtoey, Khet Klongtoey, Bangkok 10110

Telephone: 02 3591200

Facsimile: 02 3591262-3

AUDITOR

Mrs. Sudchit Boonprakob

C.P.A. (Thailand), Registration Number 2991

KPMG Phoomchai Audit Limited

21st-22nd Floors, Empire Tower

195 South Sathorn Road

Kweang Yannawa, Khet Sathorn, Bangkok 10120

Telephone: 02 6772000

Facsimile: 02 6672220-3



To the Shareholders:

Even though gasoline prices continued to rise throughout the year in 2005, the total vehicle sales of more than 700,000 units sold in Thailand became the highest ever sales volume in its history. This figure was up 12.4% from 2004, with a 23.6% increase in commercial cars and a 10.0% decline in passenger cars. Hire-purchase financing provided by leasing companies and commercial banks played an essential part in making this high sales volume possible, especially finance provided by the captive leasing companies that are owned by the car manufacturers (whose parent companies overseas are the major shareholders). Captive leasing companies helped provide competitive interest-rate funding whilst local commercial banks were able to use low-cost funding from their customers' deposits. Both these major financing groups stimulated the hire-purchase financing business by offering low down payments, long instalment periods and low interest rates to entice car buyers to make quick vehicle purchase decisions.

SCAN's sale of Baht 800 million debentures through securitization in 2004 was a great success. The Company's receivable collections, which were used as the collateral, were strong. This enabled the Company to redeem its long term debenture, which was not due until 16 August 2008, early. The credit rating on the remaining portion of the debenture was upgraded from A-(tha) to A+(tha). However, with the limited amount of hire-purchase receivables available on SCAN's books, the total cost of raising funds using the securitization was so expensive that the Company could not cover the interest cost on these funds from hire-purchase financing written. Interest rates in the market have increased rapidly, causing the Company's floating interest rate funding to become more costly, whereas the hire-purchase lending rate grew at a slower pace due to the intense competition described above. These were disadvantages that the Company faced in comparison to other companies in the vehicle financing field in the period. The best strategy for the Company proved to be to keep sufficient cash and to efficiently manage it.

In light of the above, new business written in 2005 was limited to only Baht 1,000 million, down 39% from the previous year. The outstanding receivables declined 15% from last year to Baht 1,792 million. Total assets saw a 18% decrease to Baht 2,347 million. The drop in revenue coupled with the increased interest expense compared to the level in



the prior year, resulted in the Company recording a net loss of Baht 32 million in this year, up from the Baht 12 million loss last year, an increase of 60%. Shareholders' equity went down 4% to Baht 819 million or Baht 13.65 per share.

During 2005, the Company was informed by TMB Bank Public Company Limited, who acts as the creditors' facility agent, of the transfer of some of the Company's debt through debt trading from the original creditors to new creditors. The legitimacy of these new creditors as the transferees in accordance with the terms of the loan agreement, is still considered to be doubtful, and debt purchase by un-qualified creditors might cause damage to the Company. The Board, therefore, resolved to defer the payment of the principal and the interest to these unqualified transferees when due, until the legitimacy of their status is cleared, in order to avoid any damages that may incur. The debt transfer from some other creditors resulted in the Company spending Baht 127 million to enter into fund participation with a face value of US\$ 4.5 million. This fund participation will generate a gain of approximately Baht 50 million for the Company at the maturity of the loans.

In an effort to contribute to society and to the community, the Company donated Baht 1 million in December 2005 to Thammasat University to help construct the university's Hall of Fame.

The Company has set its operation strategy for 2006 as follows:

- To accerelate the seeking of an appropriate strategic partner who can help the Company in fund-raising at attractive cost.
- To conserve the Company's cash to ensure that it will have sufficient liquidity for its business operations.
- To focus mainly on the quality of its hire-purchase finance customers rather than relying only on low interest rates to compete.
- To improve its information technology to improve work efficiency while facilitating growth of future business.
- To develop SCAN's staff by holding job-related training so that they can become more skillful and provide better service to the Company's customers.



The Board wishes to extend its gratitude to its customers, financial creditors, and to car dealers, for all their kind support of the Company during the past year, while thanking the Management and staff for their devotion to their work. We would also like to thank the shareholders for their trust and support of the Board. We trust we will receive the same support from all parties in the future.

Dr. Panas Simasathien
Chairman to the Board

Mr. Vinit Samritpricha
Managing Director



To the Shareholders,

In the year 2005, the Board of Directors reappointed the Audit Committee which comprised three non-executive directors, Dr. Panas Simasathien, Chairman of the Audit Committee, and Prof. Dr. Tassadej Arunsmith and Assoc. Prof. Pises Sethsathira, members of the Audit Committee, for another term. The Audit Committee conducted their duties according to the Audit Committee Charter by the resolution of the Board of Directors. The Audit Committee was made responsible for the review of the Company's financial reporting process and the disclosure of financial information to ensure that such information is complete, accurate, and in conformity with generally accepted accounting principles; the review of the Company's operations to ensure that they are conducted transparently, effectively, and efficiently within an appropriate internal control system and that they comply with all laws and rules and regulations of the regulatory authorities; and such other duties as may be assigned by the Board. The Audit Committee was able to contact, meet and have discussions with the Management, the Internal Auditor and the Independent Auditor without any restriction.

In the year 2005, the Audit Committee met four times to review the Company's quarterly and annual financial reports including the disclosure of the transactions with related companies with the Independent Auditor and with the Management to discuss the financial reporting process, internal control and the compliance with laws, rules and regulations. The Audit Committee proposed and the Board of Directors agreed and passed the resolution to adopt and implement the Code of Conduct under the Good Corporate Governance policy consistent with the principles of Good Corporate Governance outlined by The Stock Exchange of Thailand.

The Audit Committee also reviewed the Company's financial reports for the year ended December 31, 2005 together with the Management and the Independent Auditor and was of the opinion that such reports present full and fair financial positions and operating results together with the disclosure of the transactions with related companies of the Company in conformity with generally accepted accounting principles. The Audit



Committee recommended that the Board of Directors appoint Mr.Sophon Permsirivallop or Ms. Rungnapan Lertsuwankul or Ms. Sumalee Reewarabandith of Ernst & Young Office Limited as the Company's Independent Auditor for the financial year 2006, subject to the approval of shareholders at the Annual General Meeting.

(Dr. Panas Simasathien)

Chairman of the Audit Committee

February 22,2006



	2005	2004	2003
Profitability Ratio			
Operating income margin (Operating lease)	5.92%	3.15%	15.34%
Interest Income Margin	6.88%	6.53%	7.92%
Interest Expense Margin	5.01%	2.78%	0.58%
Interest Margin	1.88%	3.75%	7.34%
Net Profit Margin	(15.51%)	(8.07%)	20.59%
Return on Equity	(3.86%)	(2.30%)	6.89%

Efficiency Ratio

Return on Assets	(1.23%)	(0.79%)	2.64%
Asset Turnover	7.95%	9.80%	12.84%

Financial Ratio

Debt to Equity	1.87	2.39	1.45
Receivables to Debt	1.10	1.28	1.59
Dividend Ratio	0.00%	0.00%	0.00%

Per Share Data & Growth Ratio**Per Share Data**

Book Value	13.65	14.19	14.52
Earning per Share	(0.54)	(0.33)	0.97
Dividend Payout	0.00	0.00	0.00

Growth Ratio

Total Assets	(18.55%)	34.98%	(5.13%)
Total Liability	(24.73%)	60.66%	(12.07%)
Income from Sales and Services	(15.37%)	(12.74%)	(22.55%)
Operating Costs & Administrative Expenses	(26.99%)	10.56%	(8.87%)
Net Income (Loss)	(62.53%)	(134.21%)	155.96%



FIVE-YEAR SUMMARY

(unit : thousand baht)

	2005	2004	2003	2002	2001
FINANCIAL POSITION					
BALANCE SHEET					
Cash on hand and in banks &					
Short-Term Investments	234,478	516,235	84,233	380,309	567,513
Receivables - Net from Unearned					
Interest Income	1,671,611	1,966,175	1,833,017	1,900,768	1,927,930
Allowance for Doubtful Accounts	(53,337)	(80,083)	(106,995)	(286,820)	(370,187)
Receivables - net	1,618,274	1,886,092	1,726,022	1,613,948	1,557,743
Allowance for Doubtful Accounts /					
Receivables -net from unearned					
interest income	3.19%	4.07%	5.84%	15.09%	19.20%
Total Assets	2,347,610	2,882,185	2,135,244	2,250,784	2,327,589
Short-Term Debt and					
Long-Term Debt	1,410,585	1,855,558	1,106,858	1,168,078	1,367,238
Shareholders' Investment	819,026	851,273	871,113	813,120	790,463



FIVE-YEAR SUMMARY (CONTINUED)

(unit : thousand baht)

	2005	2004	2003	2002	2001
REVENUES AND EXPENSES					
Income from hire-purchase contracts	71,224	72,224	114,034	111,096	142,914
Income from financial lease contracts	10,747	12,697	18,202	23,728	31,844
Income from rights over hire-purchase contracts	38,633	33,063	-	-	-
Income from rental and service	27,781	49,809	70,746	75,672	55,477
Interest income & others	41,356	44,687	31,722	69,724	79,591
Reversal of doubtful accounts / (doubtful accounts)	18,225	29,030	18,374	83,367	78,774
Total Revenue	207,966	241,510	253,078	363,587	388,600
Interest Expenses and Financial Charges	67,203	44,865	33,157	72,403	103,829
Operating Costs and Administrative Expenses	156,848	214,397	195,434	211,574	193,709
Loss/(Gain) on exchange rate	15,175	(4,224)	(28,523)	25,885	15,170
Income/(Loss) before Income Tax & Extra Ordinary Item	(31,260)	(13,528)	53,010	53,725	75,892
Extra Ordinary Item	-	-	4,982	-	-
Income tax	987	6,312	-	31,068	18,246
Net Income / (Loss)	(32,247)	(19,840)	57,992	22,657	57,646



FIVE-YEAR SUMMARY (CONTINUED)

(unit : thousand baht)

	2005	2004	2003	2002	2001
OPERATIONS					
NEW BUSINESS ACQUIRED - HIRE PURCHASE					
Receivables	1,022,937	1,628,146	1,533,111	1,457,685	1,595,805
Equipment Cost	937,216	1,490,142	1,371,795	1,332,003	1,470,864
NEW BUSINESS ACQUIRED - FINANCIAL LEASE					
Receivables	73,299	119,794	108,054	116,350	156,121
Equipment Cost	65,370	105,838	95,942	101,586	132,587
NEW BUSINESS ACQUIRED - FLOOR PLAN					
	28,707	81,914	46,972	22,043	87,354
NUMBER OF EMPLOYEES	83	80	82	88	90

**SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED (SCAN)**

The Company offered hire-purchase finance in the amount of Baht 1,030 million, down 38.6 from year 2005, types of financing could be categorized as follows:

(In million Baht)

	2005	(%)	2004	(%)	CHANGE (%)
Hire Purchasing					
New Cars	859	83.4	1,258	74.97	(31.7)
Used cars	78	7.6	232	13.83	(66.4)
Financing and Operating Leasing					
	65	6.3	206	6.32	(38.7)
Floor Plan Financing					
	28	2.7	82	4.82	(65.8)
Total	1,030	100.0	1,678	100.0	(38.6)

Competition Situation in the Business

The Company's total amount of hire-purchase finance declined 38.6% from the previous year, due to

1. The market competition grew even more intense when new financiers, i.e. the commercial banks entered the business. They had advantages in fund-raising and wide customer base. They also offered attractive terms with low interest rates which the Company was unable to compete with. The Company therefore focused on financing to quality customers, thus the amount of credit-granting was reduced.
2. Due to problem in fund-raising, the Company chose to finance commercial cars which gave a higher yield and better quality customer than that of used cars. The execution turnover was much lower than the year before, only 7.5% of the annual turnover.
3. The amount of financial and operating lease was down to 6.3% of the annual turnover. It was because of the declining sale of luxury cars incurred by higher gasoline prices. This adversely affected the Company's financial lease financing. The luxury cars corporate customer who bought the cars for its executive use via financial lease also had less



demand because the lower interest of hire-purchase over lease financings. The sales of Volvo cars and other Japanese luxury cars were sharply declined as well. These lessened the demand in financial leases.

4. The Company reduced its floor-plan financing to 2.7% of the total turnover.

Market Outlook in General

Hire-purchase business still continued to expand in accordance with the sales growth in line with the growth of Thai economy. The Company's market share was considered low, comparing with the domestic car sales. Therefore the Company has aimed to increase its business written when it can find additional source of fund.

SCAN TRANSPORT SERVICE LIMITED (STSL)

STSL operated operating leases to corporations that need cars for business use with full services. The Board already resolved that the Company ceased its new business expansion due to its limited fund.

The performance in 2005 could be summarized as follows:

1. Total assets of Baht 54 million dropped from Baht 86 million of last year, comprised
 - 1.1 Cash and cash equivalents amounting to Baht 28 million derived from lease collection, or 52% of the total assets, up from Baht 20 million in the prior year
 - 1.2 Leased cars and replacement cars in the amount of Baht 22 million, a 55% decrease from Baht 49 million of 2004. This was because those leased cars were sold when the leases expired. The Company currently had 51 operating lease contracts left in total, valued at Baht 11 million.
 - 1.3 The Company wrote off its deferred income tax in the amount of Baht 7 million, resulting in lower total assets.
2. Total liabilities of Baht 9 million was down from Baht 32 million of last year due to the decreasing of hire-purchase payables.



3. The Company's total revenues of Baht 33 million, of which Baht 26 million derived from rental income, compared to Baht 65 million of 2004, dropped by 49% to the decrease of receivables.
4. Operating expenses were Baht 40 million; 65% of which was for the depreciation of leased cars as well as other related expenses, such as maintenance fee, insurance premium, and registration fees.
5. The Company's net loss of Baht 9 million was partly incurred by the write-off deferred income tax in the amount of Baht 7 million, since the Company could not use as its tax benefit in the future.
6. Loss of Baht 1.4 per share, compared to last year's profit of Baht 0.7 per share, lessened the book value per share to Baht 7.49.

SCAN AMC COMPANY LIMITED (SAMC)

SAMC was established with the objective to buy back the debts from the creditor banks of SCAN. The debt buy-back and the debt forgiveness to its parent company were completed in 2003. Therefore there was no more business transaction. At the end of the year, the book value of the company was Baht (0.99) per share.

AUTO RECEIVABLES SPV COMPANY LIMITED (ARSPV)

ARSPV was incorporated on 30 April 2004 as a special purpose vehicle under Thai law to do securitization under the Securitization Act B.E.2540 by processing as approved by *the Securities Exchange Commission* under the said law and other related laws.

The Company's registered capital was Baht 10,000 which was fully paid up and was divided into 1,000 shares, consisting of 260 common shares and 740 preferred shares. SCAN was a 100% shareholder of the common shares and offered to sell bonds to 13



kinds of investors in accordance with the Notification of the Securities Exchange Commission numbered 44/2543. The Company then used this fund to purchase the rights on hire-purchase contracts from *SCAN*, as well as to increase working capital for *SCAN* in hire-purchase business.

The Company's performance in 2005 could be summarized as follows:

1. Total asset in the amount of Baht 515 million mainly consisted of restricted fund amounting to 202 million, rights over hire-purchase contracts, net from unearned interest and allowance for doubtful accounts in the amount of Baht 304 million, with an average life of 13-24 months and an average principal balance of Baht 500,000.
2. A portion of the restricted fund was reserved for payment of taxes, fees, other expenses, bond interest and its principal.
3. The rights over hire-purchase contracts in the amount of Baht 304 million comprised 1,837 contracts, down from 2,971 of last year.
4. The Company used the same measure as *SCAN* to estimate the allowance for doubtful accounts, and the amount of Baht 5 million was included in *SCAN's Consolidated Financial Statements*. At the end of 2005, the current portion and the overdue of less than 7 days portion of the rights over hire-purchase receivables stood at 1,593 contracts. Their book values net of unearned interest income were Baht 259 million, or 84% of the rights.
5. The Company had subordinated loan of Baht 200 million from *SCAN*. The bad debt reserve of Baht 5 million of the rights over hire-purchase receivables was also booked in the parent company. The loan will be due when the Company fully pays back the bonds and other expenses related to the securitization.
6. The remaining balance of the bonds stood at Baht 299 million. The portion that will be due within 2006 is Baht 247 million and the final due in January 2007 will be Baht 52 million.
7. The Company's total revenues were Baht 42 million, mainly derived from the rights over hire-purchase receivables which amounted to Baht 39 million and Baht 1 million interest income from an investment.
8. 71% of the total revenues was interest expenses of subordinated loan and bonds whilst 17% was for operating expenses.
9. The Company had net profit of Baht 3 million, or Baht 12,067 per ordinary share.



Important Conditions to Maintain the Quality of the Rights over Hire-Purchase Receivables

So long as there is outstanding debt under the bonds, the Company must adhere to the following conditions:

THE RATION INDICATED IN THE AGREEMENT	ACTUAL RATIO
1. The bad debt ratio of the outstanding principal of the rights over hire-purchase receivables not exceeding 10%	0.91 %
2. Average ratio of the ability in bill collection not less than 85%	92.96 %

The above actual ratio proved that the Company had efficient collection system which enabled the Company to maintain the quality of the rights over hire-purchase receivables in according with the Agreement. The Company was confident that it would not affect the maintaining of the financial status.

Revenues Structure Divided by Type of Business (In million Baht)

TYPE OF BUSINESS	COMPANY	SHARES HELD	PROFIT					
			2003	%	2004	%	2005	%
Hire purchase	Scandinavian Leasing Public Company Limited	100.00	114	56	74	44	72	49
Finance Lease	Scandinavian Leasing Public Company Limited	100.00	18	9	13	8	11	7
Operating Lease	Scan Transport Service Limited	99.99	71	35	48	28	26	18
Asset management	Scan AMC Company Limited	99.99	0	0	0	0	0	0
Rights over hire-purchase receivables	Auto Receivables SPV Company Limited	26.00	0	0	33	20	39	26
Total			203	100	168	100	148	100



December 30, 2005

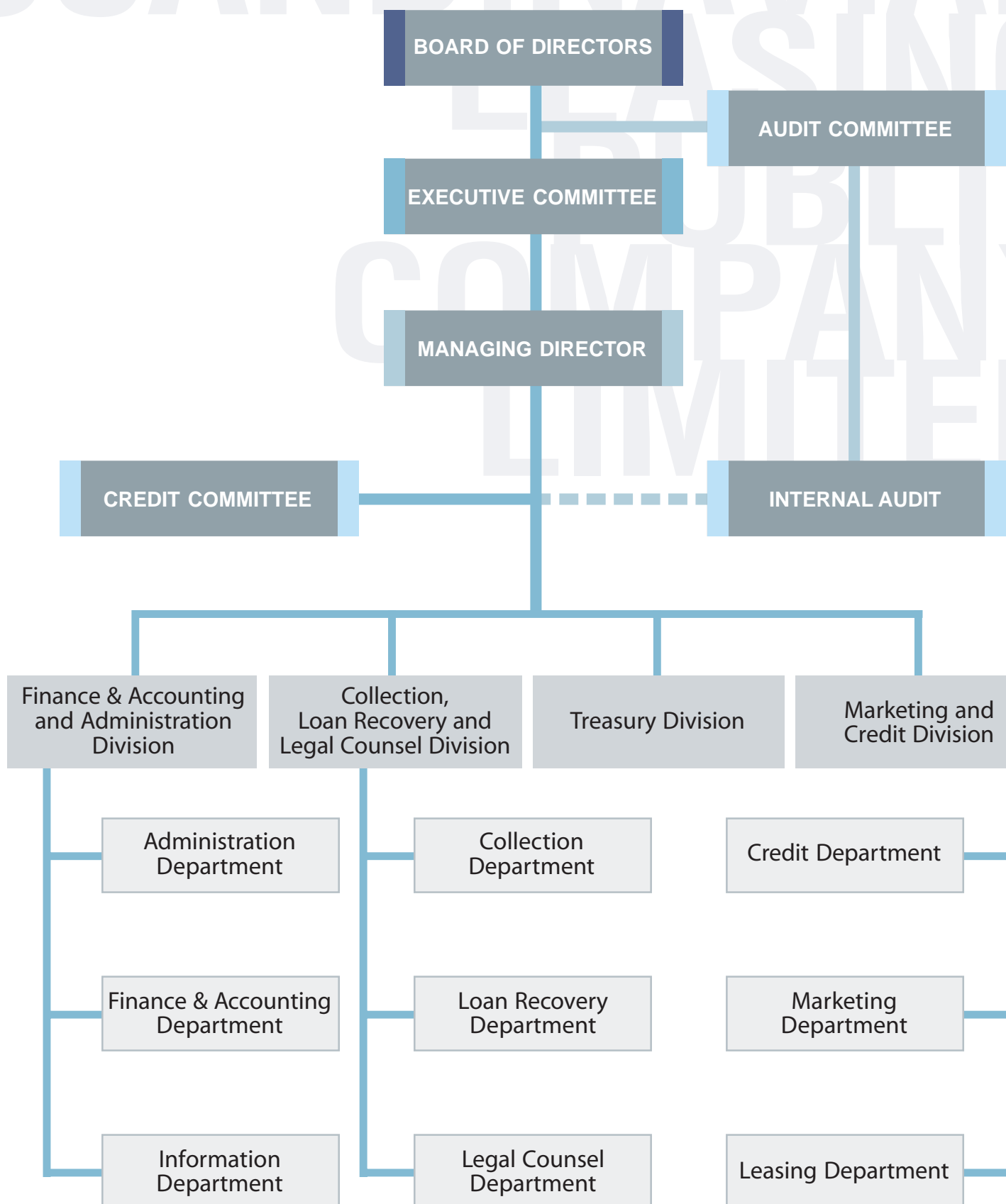
NAMES	NUMBER OF SHARES	%
1. Swedish Motors Corporation Public Company Limited ⁽¹⁾	29,940,000	49.90
2. Thailand Securities Depository Company Limited (For Thai Depositors)	23,842,801	39.74
3. Swedish Motors Parts & Supplies Company Limited	3,562,717	5.94
4. Swene Holding B.V.	1,849,970	3.08
5. Mr. Panja Senadisai	200,001	0.33
6. Mr. Teerasut Simasathien	100,000	0.17
7. Mr. Lars Davidsson	50,000	0.08
8. Thailand Securities Depository Company Limited (For Foreign Depositors)	42,100	0.07
9. Mr. Surasith Tiyawatcharawong	25,000	0.04
10. Others Shareholders	387,411	0.65
Total	60,000,000	100.00

⁽¹⁾ Major Shareholders of Swedish Motors Corporation Public Company Limited

1. NRC Business Company Limited	58.18 %
2. Thailand Securities Depository Company Limited (For Thai Depositors)	20.45 %
3. Thailand Securities Depository Company Limited (For Foreign Depositors)	16.15 %
4. Pamper Cloud Trading Company Limited	3.41%
5. Mrs. Churairat E. Bonython	1.11%



ORGANIZATION CHART





BOARD OF DIRECTORS

DR. PANAS SIMASATHIEN

Chairman, Chairman of Audit Committee and Independent Director

Education: Ph.D. in Accounting, University of Illinois, USA

Other positions: Executive Chairman, *Saha Union Public Co., Ltd.*
Executive Chairman, *Siam Piwat Co., Ltd.*
Chairman, *National Economic & Social Development Board*
Commission Member, *The Securities and Exchange Commission*

Number of Shares Increased (Decreased) in 2005: No change

MR. SIMON E BONYTHON

Vice Chairman and Executive Committee

Education: Bachelor of Arts (Economics), University of Adelaide, Australia

Other positions: Director, *Scan Transport Service Ltd.*
Director, *Scan AMC Co., Ltd.*
Director, *Prolific Capital Co., Ltd.*
Chairman of the Board, *Swedish Motors Corporation Public Co., Ltd.*
Director, *NRC Business Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change

MR. EKAMOL KIRIWAT

Director and Chairman of Executive Committee

Education: M.B.A (Finance) Harvard Graduate School of Business Administration, USA
A.B. Magna Cum Laude (Economics), Dartmouth College, USA

Other positions: Director and Chairman of Audit Committee, *Thai Wacoal Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change



MR. VINIT SAMRITPRICHA

Managing Director and Executive Committee

Education: Master in Business Administration, Indiana University of Pa., USA

Other positions: Director, *Scan AMC Co., Ltd.*
 Director, *Scan Transport Service Ltd.*
 Director, *Prolific Capital Co., Ltd.*
 Director and Executive Committee, *Swedish Motors Corporation Pcl*
 Director, *NRC Business Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change

MR. MATS ANDERS LUNDQUIST

Director and Member of Executive Committee

Education: Master in Business Administration,
 Stockholm School of Economics, Sweden

Other positions: President, *Pacific 2000 Recruitment Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change

MR. PRASERT PATRADHILOK

Director and Executive Committee

Education: Master in Business Administration (Finance),
 Chulalongkorn University

Other positions: Director, *Scan Transport Service Ltd.*
 President, *Advisory Plus Co., Ltd.*
 Director, *Investment Banking Club*
 Director and Chairman of Audit Committee,
Boutique New City Public Co., Ltd.

Number of Shares Increased (Decreased) in 2005: No change



PROF. DR. TASSADEJ ARUNSMITH

Independent Director and Audit Committee

Education: Ph.D. in Management Studies, University of Oxford, England

Other positions: Chairman, *Graduate Studies in Marketing*,
Thammasat Business School, Thammasat University
Chief Executive Officer and Vice-Chairman,
Isis Property Development Co., Ltd.

Number of Shares Increased (Decreased) in 2005: No change

ASSOC. PROF. PISES SETHSATHIRA

Independent Director and Audit Committee

Education: Master of Laws, Columbia University, USA
Barrister-at-Law, the Thai Barrister Association

Other positions: Advisor, *Association of Securities Companies*
Legal Committee, *The Federation of Thai Industries*

Number of Shares Increased (Decreased) in 2005: No change

MR. RALF MIKAEL PETER WAHRN

Director

Education: Bachelor of Science (Economics)
Helsinki School of Economics, Finland

Other positions: Director, *RMP International Co., Ltd.*
Director, *Scan Transport Service Ltd*,
Director, *Scan AMC Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change



MANAGEMENT TEAM

MR. VINIT SAMRITPRICHA

Managing Director and Member of Executive Committee

Education: Master in Business Administration, Indiana University of Pa., USA

Other positions: Director, *Scan AMC Co., Ltd.*

Director, *Scan Transport Service Ltd.*

Director, *Prolific Capital Co., Ltd.*

Director and Executive Committee, *Swedish Motors Corporation Pcl.*

Director, *NRC Business Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change

MS. PUANGTHIP PINSUK

Assistant Managing Director

Education: Bachelor of Arts (Accounting), Bangkok University

Other positions: Director, *Scan AMC Co., Ltd.*

Director, *Scan Transport Service Ltd.*

Director, *Prolific Capital Co., Ltd.*

Director, *Swedish Motors Corporation Pcl.*

Director, *NRC Business Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change

MS. WARAPORN MAKCUM

Assistant Managing Director

Education: Master in Business Administration, Chulalongkorn University

Master in Marketing, Thammasat University

Other positions: Director, *Scan AMC Co., Ltd.*

Director, *Prolific Capital Co., Ltd.*

Number of Shares Increased (Decreased) in 2005: No change



MANAGEMENT TEAM (CONTINUED)

MR. KIRKCHAI CHAIYATHAM

General Manager - Collection, Loan Recovery and Legal Counsel

Education: Bachelor in Law, Ramkhamhaeng University
Other positions: Director, *Prolific Capital Co., Ltd*
Director and Secretary, *Thai Hire-Purchase Association*
Number of Shares Increased (Decreased) in 2005: No change

MR. ATHIPAT CANTAU LIS

Credit Manager

Education: Master in Business Administration, Ramkhamhaeng University
Bachelor in Law, Ramkhamhaeng University
Other positions: -
Number of Shares Increased (Decreased) in 2005: No change

MR. CHARN KLOMSIRI

Marketing Manager (1)

Education: Bachelor in Law, Thammasat University
Other positions: -
Number of Shares Increased (Decreased) in 2005: (4,700 shares)

MS. POONSRI WANGSUNDARAPORN

Finance & Accounting Manager

Education: Master in Business Administration,
The National Institute of Development Administration
Bachelor of Accounting, Assumption University
Other positions: Director, *Prolific Capital Co., Ltd*
Director, *Swedish Motors Corporation Pcl*
(resigned on March 2005)
Number of Shares Increased (Decreased) in 2005: No change



MR. KRITPETCH SRISUNTISUK

Legal Counsel Manager

Education: Bachelor of Law, Thammasat University
Barrister-At-Law, the Thai Barrister Association

Other positions: -

Number of Shares Increased (Decreased) in 2005: No change

MR. PRASERT SUKCHAROENCHAIKUL

Marketing Manager (2)

Education: Master in Business Administration, University of La Verne, USA

Other Positions: -

Number of Shares Increased (Decreased) in 2005: No change

MR. SURACHAI DHIRASONDHIKUL

Internal Audit Manager and Secretary to Audit Committee

Education: Master in Accounting, Chulalongkorn University
Master of Business Administration (English Program),
Ramkhamheang University
Bachelor of Accounting, Chulalongkorn University
Certified Public Accountant (Thailand)

Other positions: -

Number of Shares Increased (Decreased) in 2005: No change



The Company's management structure comprised three committees, i.e., Board of Directors, Executive Committee, and Audit Committee

BOARD OF DIRECTORS (nine members)

- | | |
|----------------------------------|--|
| 1. Dr. Panas Simasathien | Chairman, Chairman of Audit Committee and Independent Director |
| 2. Mr. Simon E. Bonython | Vice Chairman and Executive Committee |
| 3. Mr. Ekamol Kiriwat | Director and Chairman of Executive Committee |
| 4. Mr. Vinit Samritpricha | Managing Director and Executive Committee |
| 5. Mr. Mats Anders Lundquist | Director and Executive Committee |
| 6. Mr. Prasert Patradhilok | Director and Executive Committee |
| 7. Pro. Dr. Tassadej Arunsmith | Independent Director and Member of Audit Committee |
| 8. Asso. Prof. Pises Sethsathira | Independent Director and Member of Audit Committee |
| 9. Mr. Ralf Mikael Peter Wahrn | Director |

Secretary to the Board Mr. Mats Anders Lundquist

Appointment Method

The Board of Directors was appointed in compliance with the Company's rules and regulations with approval at the shareholders' meeting. And the Board would then choose among themselves the chairman, vice chairman, managing director, and other positions deemed appropriate.

In case any position was vacant due to other causes apart from the ending of term, the Board would select a qualified person who was not legally forbidden in accordance with the Public Company Act, at the next Board's meeting (unless the said member's term was less than two months), to resume that position throughout the remaining term.

Authority and Responsibilities

1. To be responsible for all the Company's affairs, set down the management framework for the Company, oversee that the Company controlled and reviewed its internal affairs with efficiency by setting up an internal control unit that worked independently and reported directly to the Internal Committee.
2. To set up policies and directions for the Company's operation, control the Management's administration to carry on their duties in line with the set policies, within the laws, the



Company's objectives and rules as well as the resolutions at the Shareholders' meetings, with honesty and to the shareholders' benefit.

3. To set down operation policy based on good corporate governance so that the Company's performance would grow continuously and steadily.
4. To disclose information accurately, completely, transparently and up to standard.
5. To have the authority and duty to appoint members to be Executive Committee and Audit Committee, and to grant and set up their extent of authority, scope of works so that the operation of the Company efficiently and effectively comply with its policies and objectives.
6. To hold the annual Shareholders' meeting within four months after the end of the fiscal year and/or hold a special shareholders' meeting when one fifth of the shareholders request for it.
7. To prepare the Balance Sheet and Profit and Loss Statement at the end of year to present to the shareholders' meeting for consideration and approval.

Names and numbers of the authorized directors on behalf of the Company were Mr. Simon E.Bonython, Mr. Vinit Samritpricha, Mr. Ralf Mikael Peter Wahrn. Two of the said three members co-signed together with the Company seal, or one of these members: Mr. Simon E.Bonython, Mr. Vinit Samritpricha, Mr. Ralf Mikael Peter Wahrn, co-signed with Mr. Mats Anders Lundquist or Mr. Prasert Patradhilok, together with the Company seal.

The Board's Meetings

During the year, the total meeting attendance of each Director was as follows:

NAME OF THE BOARD OF DIRECTORS	NUMBER OF ATTENDANCE	NUMBER OF MEETING
Dr. Panas Simasathien	9	9
Mr. Simon E. Bonython	9	9
Mr. Ekamol Kiriwat	9	9
Mr. Vinit Samritpricha	9	9
Mr. Mats Anders Lundquist	9	9
Mr. Prasert Patradhilok	9	9
Prof. Dr. Tassadej Arunsmith	6	9
Asso. Prof. Pises Sethsathira	6	9
Mr. Ralf Mikael Peter Wahrn	8	9



The Company defined the meaning of 'Independent Director' as follows:

1. Holding within 5% of the total voting rights of the Company, its subsidiaries, its affiliates, or any person who might have conflict of interests (including related people according to Section 258 of *the Securities Act*).
2. Having no part in the operation nor is an employee, staff, consultant on payroll, nor person of authority of the Company, its subsidiaries, its affiliates, nor person who might have conflict of interests or any stakes within the past one year.
3. Having no business relations, no interests or stakes either directly or indirectly in the financial and operational matters of the Company, its subsidiaries, its affiliates or of the person who might have conflict of interests that interferes with his/her independence.
4. Not being a close relative of the Management, the major shareholders of the Company, its subsidiaries, its affiliates.
5. Not being a person who might have conflict of interests.
6. Not being a person who is appointed as representative to protect the interests of the director with major shareholding.

EXECUTIVE COMMITTEE (five members)

- | | |
|------------------------------|---------------------------------|
| 1. Mr. Ekamol Kiriwat | Chairman of Executive Committee |
| 2. Mr. Simon E. Bonython | |
| 3. Mr. Vinit Samritpricha | |
| 4. Mr. Mats Anders Lundquist | |
| 5. Mr. Prasert Patradhilok | |

Secretary to the Executive Committee

Mr. Mats Anders Lundquist

Appointment Method

The Executive Committee was appointed by the resolution at the Board's meeting.

Authority and Responsibilities

1. To be given authorities by and perform efficiently and effectively as assigned by the Board regarding management, control, setting up policies and directions of the Company.
2. To specify extent of authority for the Management to efficiently and effectively approve and assign, in compliance with the set policy with care, and to avoid any activities that might lead to conflict of interests between the Company, the Board and the Committees.



MANAGEMENT STRUCTURE (CONTINUED)

3. To review and set the policy on major risk management, e.g., marketing risk, currency exchange risk, and risk in debt management and bill collection.
4. To consider and approve an individual credit loan within the amount of Baht 15 to 60 million.

During the year, the total meeting attendance of each Director was as follows:

NAME OF EXECUTIVE COMMITTEE	NUMBER OF ATTENDANCE	NUMBER OF MEETING
Mr. Ekamol Kiriwat	13	13
Mr. Simon E. Bonython	13	13
Mr. Vinit Samritpricha	13	13
Mr. Mats Anders Lundquist	13	13
Mr. Prasert Patradhilok	13	13

AUDIT COMMITTEE (three members)

1. Dr. Panas Simasathien Chairman of Audit Committee
2. Prof. Dr. Tassadej Arunsmith
3. Asso. Prof. Pises Sethsathira

Remark The Audit Committee was reappointed for another term by the resolution at the 8/2548 Board's meeting on November 14, 2005

Secretary to the Audit Committee

Mr. Surachai Dhirasondhikul

Appointment Method

The Audit Committee was appointed by the Board. Those appointed were independent members with a two-year working term. The members, after the ending of term, might be re-appointed if deemed appropriate by the Board.

Authority and Responsibilities

1. To review that the disclosed information in the financial statements prepared by the Company is true, complete, accurate, and reliable.
2. To review that the Company's internal control system is appropriate and effective.
3. To review that the Company strictly complies with the Securities Laws, the Stock Exchange of Thailand's regulations or any laws related to its business.



MANAGEMENT STRUCTURE (CONTINUED)

4. To consider, select, appoint and propose remuneration for the Company's Auditor and present for approval at the Shareholders' meeting.
5. To consider the disclosure of financial information regarding related transactions or contradictory benefits is accurate and complete.
6. To prepare the Audit Committee's report which is signed by Chairman of the Audit Committee, and to show it in the Company's Annual Report.
7. To perform any other tasks assigned by the Board.

During the year, the total meeting attendance of each director with the management, the independent auditor and internal auditor was as follows:

NAME OF AUDITING COMMITTEE	NUMBER OF ATTENDANCE	NUMBER OF MEETING
Dr. Panas Simasathien	4	4
Prof. Dr. Tassadej Arunsmith	3	4
Asso. Prof. Pises Sethsathira	4	4

Remark: The Independent Auditor attended the meeting with the Audit Committee two times - 1/2005 and 4/2004.

THE APPOINTMENT OF DIRECTORS AND THE MANAGEMENT

The Board will select and appoint the Directors and the Management.

REMUNERATION OF DIRECTORS AND THE MANAGEMENT

1. Remuneration of Director. The Company determined the Director's remuneration by considering the suitability and correspondent responsibilities of the task performed as well as the Company's financial status.
2. Remuneration of the Management was to be in accordance with the principles and policies set by the Board which related to the Company's operation and performance of each member of the Management.



MANAGEMENT STRUCTURE (CONTINUED)

Directors and the Management Remuneration

	PERSON	TYPE	REMUNERATION IN CASH	OTHER REMUNERATION
Director	9	Meeting fee and remuneration	Baht 3.59 Million	-
Management	10	Salary and Bonus	Baht 22.09 Million	-

Meeting Fees and Remuneration for Director in 2005

NAME	AMOUNT IN BAHT
Dr. Panas Simasathien	663,000
Mr. Simon E. Bonython	439,000
Mr. Ekamol Kiriwat	439,000
Mr. Mats Anders Lundquist	769,000
Mr. Prasert Patradhilok	439,000
Prof. Dr. Tassadej Arunsmith	283,000
Asso. Prof. Pises Sethsathira	295,000
Mr. Ralf Mikael Peter Wahrn	271,000
Total	3,598,000



THE APPLICATION OF CODE OF GOOD GOVERNANCE

The Board of Directors of *Scandinavian Leasing Public Company Limited* were well aware of their roles and responsibilities in promoting good corporate governance within the Company so that the Company's business would continue to grow steadily under an efficient and transparent administration which would generate trust to all parties involved, leading to the highest benefit for the Company and its shareholders at large.

By the resolution of the Company's 7/2004 Board meeting on November 12, 2004, the policy on the Company's good governance was to comply with *The Stock Exchange of Thailand's* fifteen principles of good corporate governance which are as follows:

1. The Board will protect the shareholders' interests and ensure that each and every one of them is treated with and informed of the Company's information equally and transparently.
2. The Board will oversee that the shareholders' meetings are conducted in compliance with the laws and good operational guidelines recommended by the *Securities and Exchange Commission* and *SET*.
3. The Board will consider the rights of all groups of stakeholders of the Company by adhering to business ethics and the laws.
4. The Board will be responsible in setting the Company's vision and commitment, including overseeing that the Management operate the strategies in line with the said vision and commitment.
5. The Board will comprise at least three independent Directors.
6. The Board will appoint other subcommittees of different duties and roles to study and screen business matters before presenting them to the Board, i.e., the Executive Committee, the Audit Committee, including any other subcommittees deemed necessary.
7. The Board agrees to seek different individuals to become Chairman of the Board, Chairman of Executive Committee, and Managing Director. The Board will clearly specify and diversify the authorities and duties of each position so that none of them possesses unlimited authority and duties.
8. The Board will hold at least one meeting every quarter, plus additional meetings if necessary, by setting up the date in advance together with clear agenda. And documents for the meeting must be delivered before the day so that the directors will have sufficient time to thoroughly study the information.
9. The Management will hold a meeting every month, plus additional meetings if necessary, by setting up the date in advance together with clear agenda. And documents



for the meeting must be delivered before the day so that the directors will have sufficient time to thoroughly study the information.

10. The Board will consider the remuneration for the Directors and the Management with transparency and without conflict of interests and submit it for the resolution at the shareholders' meeting.
11. The Board will oversee and set up ethics guidelines for business operation, good conduct guidelines for directors and employees and make them known to all parties involved.
12. The Board will establish a clear corporate governance to avoid conflict of interests between the Board, the Management and the shareholders by considering with care, honesty, rationality and independence within good ethics as well as to disclose complete information for the interests of the Company.
13. The Board will review and maintain a control system over financial matters, internal operation, administrative affairs, including the risk management. All alarming signs and other irregularities are regarded with importance. And an internal auditing is to be set up as a separate unit of the Company to report directly to the Audit Committee as well as the Managing Director.
14. The Board will state a report their responsibilities for the financial report together with that of the independent auditor in the Annual Report and other reports on important matters in compliance with the good conduct suggested by SET for the Board of the registered companies.
15. The Board will perform to ensure that the Company reveals its important information accurately, timely, and transparently through a separate work unit that acts as communication liaison to its shareholders and investors.

TREATMENT TO STAKEHOLDERS

The Company's policy is to treat all stakeholders equally and ensure that it is strictly adhered to so that every person involved is treated justly by

1. Overseeing that the customers who use the service of the Company gain utmost benefit in quality and price.
2. Overseeing that the shareholders who own the Company get appropriate percentage of yield from their investment
3. Overseeing that each employee receive their compensation and fringe benefit from their work at an appropriate level and is continually trained for development.



4. Overseeing that those who have business relation with the Company like its business partners/alliances are fairly treated.

BUSINESS ETHICS

To enhance good corporate governance, the Board passed a resolution to approve the business ethics presented by the Audit Committee on November 14, 2005, that stated on

1. The Company's ideal that encourages the directors and every employee to adhere to the nation's laws, the Company's rules
2. The Company's business ethics. For example, the fair treatment to all parties involved, including the society and the nation; the right and transparent way to seek business benefit; the nondiscriminating treatment to every person.
3. Code of behavior for the directors and all employees. For example, the keeping of the Company's assets, the keeping of the customers' confidential information, the forbidding on using internal information to seek profit in purchasing and selling the Company's stocks, the forbidding on accepting gifts.

The said business ethics is made known to the directors and all employees and is to be adhered to strictly.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDITING

The Board regards as a major policy to encourage the Company to develop an efficient and stronger internal control system for the Board realizes that good control system can prevent any damage that might happen to the Company's and the subsidiaries' assets and will also lead to good performances and the growth of the Company through these important mechanism, such as

1. The Auditing Committee which considers the sufficiency of the internal control system of the Company and the subsidiaries by reviewing their performances as well as holding a regular discussion with the Management, the Independent Auditor and the internal auditor every quarter.
2. The Internal Auditing Unit, which is responsible in evaluating and reviewing the internal control system of the Company and the subsidiaries to ensure that they operate in accordance with all rules and regulations, including the preparation of the auditing report for the Auditing Committee.



THE HANDLING OF THE USE OF INTERNAL INFORMATION

The Company demand the Management to adhere to the instruction on reporting the possession of stocks according to Section 59 of the *Securities and Stocks Act*, B.E. 2535 and the regulations of *SET*, that is to report their holdings of the Company's stocks as well as each sale and purchase to *SET* within the time limit; in case of violation, the management would face penalty as stated in Section 275 of the said Act. Furthermore, the management are to adhere to Section 241 of the said Act which forbids the use of any internal information in purchasing and selling stocks for their own or other person's interests and the Company demand the directors, the Management and its employees to avoid or stop purchasing and selling the Company's stocks in the period of 21 days ahead of the disclosure of the Financial Statements to the public and 1 day after the said disclosure. If violated, they will face penalty as stated in Section 296 of the said Act likewise.

RISK MANAGEMENT

The Company regarded risk management importantly and evaluated the risk in its operating activities throughout the organization, starting from giving basic knowledge to build awareness to the employees of the importance of risk management.

The Internal Auditor attended the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s seminar under the subject of *Enterprise Risk Management Framework*, organized by *SET*. The said framework was developed to become the international yardstick for risk management in September 2004 and was promoted by the SET to registered companies to apply it appropriately for their type of business with control and management measures plus a close follow-up by the Management. All employees were encouraged and motivated to learn about new work culture and be aware of the importance of risk at all stages of work.

RELATIONSHIP WITH INVESTORS

The Company revealed its information to investors and the public through the following channels:

1. The Stock Exchange of Thailand
 - 1.1 Annual Registration Statements (Form 56-1)
 - 1.2 The Company's quarterly Financial Statements and Annual Report
 - 1.3 Document informing of the Board's resolution, etc.
2. The Securities and Exchange Commission



3. The Ministry of Commerce
4. One-on-one Meeting
5. Mailing directly to the shareholders

The Company set up an *Investor Relations* unit under *Finance & Accounting and Administration Division* to provide its information to investors, analysts, shareholders accurately and efficiently which could be contacted directly at phone number 02 6532533-49 ext. 113, 178 or e-mail to investor-relations@scanleasing.co.th.



The Company had transactions with four related companies, i.e. *Swedish Motors Corporation Public Company Limited (SMC)*, *Scan Transport Service Limited (STSL)* and *Scan AMC Company Limited (SAMC)*, and *Auto Receivables SPV (ARSPV)*. These transactions, incurred from related shares-holding and common directors, were in the normal course of business between related companies and went through the approval procedure according to the normal practice. Terms and pricing were in accordance with those of the market as well as the Company's standard rules and regulations. Thus there was no conflict of interests.

Numbers of related transactions and the outstanding balance throughout the fiscal year of 2005 were disclosed in *Notes 5 of the Company's Financial Statements*.

Details of the Related Companies' Types of Business and Causes of the Transactions

COMPANY	SHARES HELD	RELATIONSHIP	NATURE OF BUSINESS	RELATED TRANSACTIONS	TERMS AND PRICING POLICY
Swedish Motors Corporation Public Company Limited	29.94 million shares (Percentage of holding 49.90%)	The major shareholder. Its Executive was SCAN's Director and SCAN's Executives were its Directors.	Dealer of Volvo cars and accessories, including maintenance service.	Trade-related account receivables and account payables	As in the normal course of business
Scan Transport Service Limited	5.99 million shares (Percentage of holding 99.99%)	A subsidiary. SCAN's Management being its Director.	Operating lease with maintenance service.	Trade-related account receivables and account payables	As in the normal course of business
Scan AMC Company Limited	59.99 million shares (Percentage of holding 99.99%)	A subsidiary. SCAN's Management being its Director.	Managing assets transferred from the Company's creditors.	Trade-related account receivables and account payables	As in the normal course of business
Auto Receivables SPV Company Limited	260 shares (Percentage of holding 26%)	An affiliated company. No joint Directors.	Issuing bonds under the Securitization Act.	Loan Receivable, Accrued Interest Received and Normal Trade Transactions	In compliance with the objective of the securitization and the market price



SWEDISH MOTORS CORPORATION PUBLIC COMPANY LIMITED (SMC)

SMC's business is selling Volvo cars and providing accessories as well as maintenance service. At year end, the Company's outstanding account payables stood at Baht 9 million or 71% of the total figure. These account payables were incurred when the customer purchased a Volvo car and brought the car to sign a hire-purchase or leasing contract with the Company and the Company would pay the cost to SMC under the same terms of payment as the other creditors of the Company.

In addition, the Company had deferred subsidy income in the amount of Baht 7 million from the subsidy that SMC offered to Volvo car-buyers to promote its sale which mostly was discounted amount to compensate for the interest rates in the hire-purchase contracts. The Company recognized its subsidy as income from hire-purchase contracts throughout the said contract. At the end of year, the Company's balance of deferred subsidy income was Baht 11 million. To these related transactions, SMC applied the same conditions to all business operators.

SCAN TRANSPORT SERVICE LIMITED (STSL)

STSL operates leasing business with maintenance service to corporate customers who buy cars for business use.

The Company granted hire-purchase contracts to STSL according to the general conditions of the business, be it the down payment, interest rates, period and terms of payment, including the amount of credit as given to other customers, and through the set approval procedure according to the Company's rules and regulations.

At the end of 2005, STSL had net receivables from hire-purchase and leasing contracts amounting to Baht 5 million; those due to the Company amounted to Baht 3 million, or 0.2% of the Company's total net figure, and those from STSL's hire-purchase and leasing contracts were Baht 0.5 million, or 0.7% of the total. And in 2005, the Company did not have new hire-purchase contracts with STSL.

This subsidiary ceased its new business expansion in 2004 but still followed up its bill collection from operating contracts, maintenance and car replacement services. The Company acted as its consultant in the said matters by signing monthly contracts with STSL and its annual fee in 2005 was in the amount of Baht 3 million.



The Company booked its share of loss from investment in *STSL* recorded by the equity method in the amount of Baht 9 million. In 2005, the Company's balance of investment stood at Baht 45 million.

SCAN AMC COMPANY LIMITED (SAMC)

SAMC was another subsidiary that manages assets by purchasing debts in the Company's restructuring contract from its financial creditors at a discount rate from the year 2000 to 2002, enabling it the status of the Company's loan creditor. But in 2003 *SAMC* forgave all the Company's debt, thus ending its status as the Company's loan creditor.

SAMC has not operated any business since 2004 onwards but the related transactions remained as net receivables in the amount of Baht 0.6 million from the Company's loss in *SAMC* in the amount of Baht 59 million which the Company booked its share of loss from investment in the year recorded by the equity method in the amount of Baht 2 million, net of *SAMC*'s outstanding receivables of Baht 60 million. The overdue receivables equaling to Baht 48 million comprised the overdue payment for the agreement that the Company was to manage the assets the subsidiary had invested, planned, and developed new investment, plus the loan used for the tax payment and other operating costs in the amount of Baht 12 million. The said agreement was canceled in 2003.

The Company booked its share of loss from investment in *SAMC* recorded by the equity method in the amount of Baht 0.6 million in 2004.

AUTO RECEIVABLES SPV COMPANY LIMITED (ARSPV)

ARSPV was incorporated as a special purpose vehicle, to issue bonds and use the fund to purchase rights of claim over hire-purchase contracts from the Company. To fulfill the objective of the securitization plan, any important matters that related to the securitization plan would have to pass the approval at the Bondholders' meeting or agreed in writing from the bondholder before hand.

To enable the process, the Company entered into the agreement with *ARSPV*, e.g., asset sale agreement, servicing agreement, subordinated short-term and long-term bridging loan facility agreements.



At year end, ARSPV was the receivable of the Company in the amount of Baht 2 million, consisting of overdue interest of Baht 2 million from the subordinated long-term bridging agreement amounting to Baht 200 million.

In addition, ARSPV still owed the net receivables of Baht 195 million incurred by the Company's subordinated long-term bridging loan in the amount of Baht 215 million which the subsidiary used to pay the remaining to the Company for its assigned rights (details of the loan repayment and interest rates were disclosed in the *Notes to Financial Statements*), net of the allowance for the assigned rights of claim in the amount of Baht 5 million. The reason to deduct the allowance for doubtful accounts of this amount of the assigned rights of claim was due to the fact that the Company would have its loan back only when the bonds, the costs and other fees related to this securitization plan was totally paid up. Therefore, if the value of the assigned rights became lessened, the amount of loan received by the Company would be less as well. In 2004, the Company's revenues amounted to Baht 11 million.

The accounts payable at the end of 2005 due to ARSPV was Baht 5 million. This incurred from the rights of claim of non-performing receivables which made the Company repossessed and the cars and already sold them. Damage that the Company had to repay to ARSPV which amounted to Baht 7 million, net and other expenses, e.g. VAT, car insurance premium and other fees that were not lease instalment payment that ARSPV received with the payment and had to repay to the Company in the amount of Baht 2 million.

In 2005, the Company received revenues from its servicing agreement to collect hire purchase receivables of the rights of claim as well as to provide other related functions. At the end of year, the Company's earning from this agreement amounted to Baht 3 million.

The Company booked its share of loss from investment in ARSPV recorded by the equity method in the amount of Baht 4 million. In 2005, the Company's balance of investment stood at Baht 15 million.



RISK FROM MARKET FACTORS

The risks will be from the rising trend of gasoline prices and the interest rates which will lessen the buying power, resulting in the decline of car sales growth, especially that of luxury cars. More consumers tend to favor smaller cars as well as the commercial ones. However, the shrinking car volume will not affect the Company due to the meager amount of leasing accounts in comparison with the overall automobile sales volume. The Company still chooses to grant credits to those brands with high market shares like Toyota and Isuzu.

RISK FROM INTENSE COMPETITION

Hire-purchase business consists of many competitive companies and several of them who have sources of fund at competitive costs, thus they are able to dictate the market direction. They are also the ones who have played the leading role in offering risky terms and conditions, including low interest rates. The Company, as a follower, has had a tougher time in the market. However, the Company has attempted to improve the working system and train its marketing staff to give good services to car dealers and its customers as well as to use its advantages from being a small company, i.e., flexibility and quick responsiveness, to compete in the market.

RISK FROM IMPAIRMENT OF HIRE-PURCHASE CARS

The Company not only gives importance to the quality of debtors and their payment ability when analyzing and approving credits, but also considers the brands, types, models and years made of the leased cars. When any customer's payment ability declines, the Company can repossess the car and dispose it at a fair market price that may cause the damage to the Company. One way for the Company to lessen the risk is to grant the facility to cars of high demand and popular among domestic consumers.

The levels of impairment risk between granting facilities to new cars and used ones are different. In case of new cars, the Company focuses mainly on brands and models; for used cars, years made and the cars' condition will also be considered. Without knowledgeable staff in inspecting the cars, the facility amount granted might be higher than their actual value. To weaken the said risk, the Company has trained its employees to expertly analyze the car's condition, to learn about the median/mean prices of each model, to check and follow the trend in the automobile market as it is a technology asset for which the consumers' needs keep changing all the time. Furthermore, the reduction used cars financing is another approach to lessen the risk. Though the finance of used



cars give higher yields than those of new cars but if the Company is unable to collect the instalment payment as targeted, it might create a problem to its working capital.

RISK FROM DEBTOR MANAGEMENT AND BILL COLLECTION

In granting hire-purchase facility for automobiles, each customer's credit has to be considered carefully, thoroughly, and speedily to obtain quality customers. The second importance is the efficiency of the bill collection and the debt management process to gain the maximum benefit as well as to reach the target set by the Company. Thus the Company put a lot of effort on reporting system, data-processing, and debtor management control so that the movement and situation of the customers under the contracts can be traced at all time, enabling the Company to solve any problems that might happen correctly and timely. The Company also emphasizes the quality of bill collection staff to ensure the effectiveness of the said matter by conducting training courses on new technique and approaches to timely cater to all kinds of situation. And the Company still adheres to its service policy on building customer satisfaction.

With the said management and operation, the Company believes the bill collection and debtor management can be done effectively and as targeted.

RISK FROM THE RISING FUNDING COST DUE TO CHANGES OF INTEREST RATES

In doing hire-purchase business, the Company sets fixed interest rates throughout the contracts that mostly are of 12 months up which differs from the Company's current funding structure comprising loans in the amount of Baht 1,111 million with floating interest rates, and bonds valued at Baht 299 million with fixed interest rates. In addition, the market interest rates have risen continually in 2005 and are still rising. The Company therefore has higher risk from funding costs. Than these interest received from the receivables, since the Company cannot raise any interest rates to its customers. To lessen the risk, the Company has set up the following procedures:

1. Due to the reduction the interest spread, the Company puts emphasis on efficient bill collection to weaken the problem of the bad debt that causes a lower yield.
2. In granting new facilities. Due to the limited amount of funds, the Company's policy is not to reduce the interest rates but focus instead on the quality of its customers.
3. The management of appropriate ratio for funding structure. Presently the Company



has two types of funding sources in the amount of Baht 1,410 million, 79% of which is loans with floating interest rates. The Company will try to weaken its risk from financial sources with floating interest rates on the way up by increasing the ratio of the ones with fixed interest rates to weaken the risk from interest spread.

RISK FROM INSUFFICIENT SUPPORT OF FUND

After the crisis in 1997, the Company had been unable to find new sources of fund. Throughout the time the Company had used the collection from the receivables to fund its operation until August 2004, the Company raised its fund in the amount of Baht 800 million through securitization by issuance of bonds via its subsidiary. At the end of 2005, the outstanding bonds valued at Baht 299 million.

However, the said amount of fund is insufficient to the market demand of hire purchase financing. In addition, the securitization has a complicated structure and high costs of fund, so it is not worth doing. To solve this problem, the Company has attempted to look for other less-complicated approaches as well, such as asking for loans directly from the banks.

In case the Company is unable to raise new fund, it will encounter in operation risk that would lessen the amount of leases, resulting in the shrinking of the Company's assets.

RISK FROM INCAPABILITY TO PAY BACK THE LOAN

The Company has to repay the principal of the loan in the amount specified in the Debt Restructuring Agreement that is due for repayment every six months from December 30, 2005 onwards. At present, the Company is mainly depending on the collection from the receivables. If the Company is unable to obtain more fund, it will have to reduce the size of business to set apart enough cash flow to repay the loan. However, the Company has tried to lessen the risk by placing control on the quality of customers in order to do business continuously.

RISK FROM CURRENCY EXCHANGE RATES

The outstanding balance of the loan under the Replacement Restructuring Agreement at the end of 2005 was, US Dollar 19 million, which only US Dollar 11 million or 57 % of US Dollar debt was hedged. The Company still faces the risk from the currency exchange between these two currencies that may affect the Company's performance.



RISK FROM HAVING TO PAY DEFAULT INTEREST RATES

According to the Replacement Restructuring Agreement, the Company's creditors are originally financial institutions. But early 2005, the former lenders of the Company had transferred their debts to a new group of transferee which, according to the Agreement, was ineligible. Therefore the Company asserted its rights to defer its repayment of principal and payment of due interest to that group of transferees until there is such a proof that the said group is eligible transferees in accordance with the Agreement.

The amount of loans under dispute were at US Dollar 16.35 million and Baht 73.09 million which the Company already booked the due principal amounting to Baht 37.3 million under the current portion of *Debt under Replacement Restructuring Agreement - due within one year* and booked the accrued interest in the amount of Baht 21.6 million under accrued interest expense in the financial statement. If the conclusion would be that the transferees were eligible under the Agreement the Company might have penalty interest burden in the amount of Baht 67,885. To reduce the said risk, the Company must find a way to quickly reach the resolution for this matter.

RISK FROM ENTERING FUND PARTICIPATION

On December 2, 2005, the Company entered into a Fund Participation Agreement with Asian Advisory Group Pte Ltd (AAG) so as to have the participation in the rights over part of the Company's debt under the Replacement Restructuring Agreement. Under the Agreement, the Company has participated for the Company's debt that AAG bought from a creditor (with face value of US Dollar 4.5 million) in the amount of US Dollar 2.94 million.

From the consultation made with the financial adviser and the legal counsellor, the Company was confident that this Agreement would not only have no effect on the terms of The Replacement Restructuring Agreement, but would also benefit the Company when AAG receives repayments of principal and payments of interest from the Company as its debtor.



The Board of Directors of *Scandinavian Leasing Public Company Limited* assigned the Company's Management to be responsible for the Company's Financial Statements and related financial information included in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles in Thailand, employing appropriate accounting policies which were consistently applied with careful judgment, best estimation as well as sufficient disclosure of important data in the *Notes to Financial Statements*.

The Board also assigned the Management to be responsible for establishing and maintaining an efficient system of internal control to provide reasonable assurance that accounting records are correct, complete and sufficient to safeguard the Company's assets and that weak points are detected so as to prevent frauds and significant irregular operations. The system of internal controls is regularly reviewed for its effectiveness in according with written policies and procedures.

The Board appointed an *Audit Committee* comprising three non-executive directors. The Audit Committee was made responsible for reviewing the Company's financial report procedure, the disclosure of the financial information, and the internal control system. The Audit Committee's opinion regarding these matters are presented in the Audit Committee Report which is shown in this Annual Report.

In the Board's opinion, the overall Company's internal control system is satisfactory and able to provide reasonable assurance to the credibility of Company's Financial Statements as of 31 December 2005.

(Dr. Panas Simasathien)

Chairman

(Mr. Vinit Samritpricha)

Managing Director

(Ms. Puangthip Pinsuk)

Assistant Managing Director

Finance & Accounting and Administration Division



OVERALL PERFORMANCE

In the year 2005, the Company still faced the problem of the limited fund. Even the issuance of debentures through securitization in 2004 could provide cash flow for the Company to continually run its operations for some time but this limited fund resulted in 39% decline of new businesses from the previous year, thus an 18% decrease in total assets.

The funding cost was up whereas the interest revenue from hire-purchase contracts went down, causing the decline in interest spread. Consequently, the Company's loss was 62% higher than the year before.

REVIEW ON OPERATIONS

Revenues

The Company's total revenue in 2005 was Baht 208 million, compared to Baht 246 million of last year, a 15% decline, details of which are as follows:

1. The Company's main income came from hire-purchase contracts in the amount of Baht 71 million, or 34% of the total revenue. It was a 1% decrease, compared to the 2004 figure of Baht 72 million. The Company gained its offering interest rate at 6.9%, up from 6.5% of the previous year, due to the rise of the interest rates throughout the year. But the amount of new businesses which declined 39% from last year caused the income from the outstanding hire-purchase receivables to decrease as well.
2. Income from financial leases in the amount of Baht 11 million went down 15%, compared to Baht 13 million of the year before, due to a lack of interest to this type of leasing.
3. Interest income from the rights over hire-purchase contracts amounted to Baht 39 million or 19% of the total revenues, compared with the amount of Baht 33 million, a 17% increase. This was due to ARSPV's recognition of the income from the rights of claim for the whole year, compared to that of six months in 2004.
4. Income from rental and service in the amount of Baht 28 million or 13% of the total revenues came from STSL's operation, compared to Baht 50 million in the year before, a drop of 44%, resulted by the cease on business expansion. However, the gross profit



rose to 6% from 3% in 2004, incurred by the reduction of depreciation as well as other expenses of the leased cars that were ended and sold during the year.

5. Income from reversal of doubtful accounts amounted to Baht 18 million or 9% of the total revenues, compared with the figure of Baht 29 million in 2004, a 37% decline. This is because most receivables were of small ticket type, which was different from those of last year that consisted of big ticket ones (details were disclosed under Quality of Receivables and Sufficiency of Allowance for Doubtful Accounts section).

Apart from the provision of the allowance for doubtful accounts in accordance with the set percentage, the Company also provided additional bad debt reserve for each overdue individual account who seemed unable to repay the loan. This made the reserve higher than the standard to sufficiently cover the possible loss from the said account.

6. Due to the weakening of Thai Baht to US Dollar, the Company had a loss from foreign currency exchange rates in the amount of Baht 15 million for the US dollar loans not yet due, compared to Baht 4 million gain of the year before. The Company booked the unhedged loan in the amount of US Dollar 8 million, based on The Bank of Thailand's reference rates at the end of 2005 (USD 1 = Baht 41.1746).
7. Revenue from other incomes i.e., service income, interest income, and other incomes totaled at Baht 41 million, or 20% of the total revenues, a 7% drop from Baht 45 million of last year. This was due to the STSL's declining profit from the sales of its leased assets.

Expenses

Total expenses in 2005 amounting to Baht 172 million was 20% down from Baht 214 million of the year before. The details were as follows:

1. Expenses in debt collection and loss from disposal of repossessed assets were in the amount of Baht 14 million or 9% of the operating and administrative expenses, compared to Baht 47 million of 2004. It comprised



- 1.1 Profit from the sale of repossessed machinery in this year amounted to Baht 2 million, compared to Baht 39 million loss of last year. This was due to the debt collection and the sale of the repossessed assets from the big ticket customers in last year.
- 1.2 Loss from the sale of repossessed cars was in the amount of Baht 16 million, compared to Baht 9 million of the previous year, an 83% increase. This was caused by the drop of market value of the cars, thus the income from the sale was lower than the unpaid debt.
2. In 2004, the Company had no expenses concerning the issuance of debentures through securitization, whereas the expenses for this matter in 2004 amounted to Baht 10 million.
3. The Company booked the unpaid car registration taxes of hire-purchase receivables in the amount of Baht 1 million, compared to Baht 3 million of the prior year, a 60% down. The said expense was for the annual taxes collected from those whose name appeared in the car registration book, which the Company had to pay to the Transportation Department. Since this payment was back-dated, the Company entered into an agreement to pay it in five-year instalments which helped lessen the Company's tax burden.
4. Apart from the Company's operating and administrative expenses of Baht 153 million, 24% or Baht 37 million was incurred by *STSL*'s operation, of which 54% of that amount was for the depreciation of leased cars, a 45% decline from the year before.

In 2005, *STSL* had bad debt written off incurred by deferred income tax in the amount of Baht 7 million or 18% since this subsidiary could no longer make use of it in the future. Additionally, there were other general operating expenses, e.g., car maintenance, insurance, etc. which were 15% of the total expenses.



5. ARSPV's operating and administrative expenses comprised fees related to debentures and the management expense for the rights over hire purchase contracts through securitization plan amounting to Baht 2 million or 1% of the Company's operating expenses.

Interest Expenses

The consolidated interest expenses in 2005 were Baht 67 million, Baht 22 million or a 50 % increase from the year before. This figure was 32% of the total revenue or 28% of the total expenses.

Proportion of Interest Expenses

(In million Baht)

COMPANIES	2005	(%)	2004	(%)	CHANGE (%)
SCAN	46	69	31	68	51
STSL	1	1	2	5	(64)
SAMC	0	0	0	0	(100)
ARSPV	20	30	12	27	66
Total	67	100	45	100	50

The amount of Baht 46 million or 69% of the consolidated interest expenses was incurred from the loan of Baht 1,111 million of the Company, a 51% increase. Whilst ARSPV's part in the amount of Baht 20 million, a 66% up from the prior year, was interest expense of the debentures for one whole year, compared to six months period of last year.

In addition, STSL's interest expense incurred from hire-purchase of the leased cars was down 64% from the previous year, due to gradual endings of its hire-purchase agreements. The outstanding balance of its hire-purchase payable stood at Baht 5 million.



Performance in Summary

(In million Baht)

STATEMENTS OF INCOME	2005	(%)	2004	(%)	CHANGE (%)
Total Revenues	208	100	246	100	(15)
Less: Operating and administrative expenses	172	83	214	87	(20)
Profit before interest expenses	36	17	32	13	13
Interest expense	67	32	45	18	49
Profit (Loss) after interest expenses	-31	-15	-13	-5	138
Income tax	1	0	6	2	(83)
Net loss	-32	-15	-19	-8	68

The Company's net loss of this year amounted to Baht 32 million, up Baht 13 million or 68% from last year, caused by a 15% decline in total revenues and a 50% increase of interest expenses. Even though the average offering interest rate increased from 6.5% to 6.9% but the outstanding amount of the receivables dropped 15% because the Company was unable to expand its new businesses. Thus the interest income decreased as well.

The interest expenses were 32% of the total revenues, compared to 18% of last year. The rise of the interest rates coupled with the outstanding loans of the Company resulted in the increase of interest expenses from the average rate per annum of 2.8% to 5.0%. Though the offering interest rate was increased but it was still lower than the increase of interest expenses, causing the average interest spread to decrease from 3.7% the year before to 1.9% in 2005.

The reduction of the interest spread resulted the Company's net loss ratio to 15.5% of total revenues. This increased the Company's net loss to equity ratio to 3.9% compared to 2.3% of last year.

FINANCIAL POSITION

Cash and cash equivalents and short-term investments

The Company had cash, cash equivalents and short-term investments totally in the amount of Baht 234 million, or 10% of total assets, compared to Baht 516 million of last



year, a 55% decline, for the Company used its fund of Baht 800 million raising from the securitization in the previous year to expand its business in 2005.

Rights of over Hire-purchase Contracts

The Company transferred its rights over hire-purchase contracts to ARSPV in August 2004. The book value of the principal that transferred was Baht 1,000 million. The outstanding balance of the rights net of unearned interest income and allowance for doubtful accounts went down to Baht 304 million from 1,837 contracts, or 13% of total assets, compared to Baht 725 million of last year, a 58% down, due to its efficient debt collection.

Hire Purchase and Financial Lease Receivables

The Company's outstanding receivables, the ones under litigation, net of unearned interest income and allowance for doubtful accounts amounted to Baht 1,314 million, or 56% of total assets, compared to Baht 1,162 million of the year before, a 13% increase. These receivables comprised the following contracts:

TYPE OF FINANCING	2005		2004		CHANGE (%)
	AMOUNT	NO. OF CONTRACTS	AMOUNT	NO. OF CONTRACTS	
Hire purchase	1,128	2,296	935	1,686	21
Leasing	186	359	227	420	(18)
Total	1,314	2,655	1,162	2,106	13

Over 98% of the receivables were for cars which 81% was for new cars. The Company mainly emphasized hire-purchase finance for new cars since they had less bad debt than the used ones and the assets' impairment was lower as well.

Quality of Receivables and the Sufficiency of Allowance for Doubtful Accounts

The Company estimated the allowance for doubtful accounts by using an alternative method as indicated the accounting guideline issued by *The Institute of Certified Accountants and Auditors of Thailand* (now *Federation of Accounting Professions*) on providing allowance for doubtful accounts for consumer finance business. The Company set new levels of receivables and percentages of the allowance for doubtful accounts without deducting the residual value of collateral (except advances received for purchase options under the financial lease contracts) by comparing and considering the actual bad debt history



in the past. Furthermore, the Company considered and checked each individual's record of payment. If any customer seemed unable to repay the debt, the Company would book an additional allowance for it.

Table of Percentages applied in Calculating Allowance for Doubtful Accounts

PERIODS OF OVERDUE	PERCENTAGE APPLIES
Not yet due, to overdue not exceeding 7 days	0.5
Overdue more than 7 days to 90 days	1.0
Overdue more than 90 days to 180 days	20.0
Overdue more than 180 days	100.0
Receivables under litigation	100.0

Detail of Receivables according to Overdue Period and Allowance for Doubtful Accounts

	2005			2004		
	NUMBER OF CONTRACTS	OUTSTANDING BALANCE NET OF UNEARNED INTEREST INCOME (in million Baht)	(%)	NUMBER OF CONTRACTS	OUTSTANDING BALANCE NET OF UNEARNED INTEREST INCOME (in million Baht)	(%)
Not yet due, to overdue not exceeding 7 days	3,866	1,467.1	88	4,333	1,710.3	87
Overdue more than 7 days to 90 days	469	144.3	9	528	161.9	8
Overdue more than 90 days to 180 days	69	18.0	1	89	25.8	1
Overdue more than 180 days	64	24.6	1	86	34.7	2
Subtotal	4,468	1,653.9	99	5,036	1,932.7	98
Receivables under litigation	24	19.5	1	41	34.9	2
Grand Total	4,492	1,673.4	100	5,077	1,967.6	100
Less: Allowance for doubtful accounts		53.3	3		80.1	4
Net value of Receivables		1,620.1			1,887.5	



The Company's total net receivables from unearned interest income amounted to Baht 1,673 million. Those with punctual payment and under 7 days totaled Baht 1,467 million, or 88%, compared to Baht 1,710 million in the year before, or 87% of the total. Receivables with overdue from 7 to 90 days were Baht 144 million or 9%, compared to the last year's figure of Baht 162 million, down 11%. Furthermore, the Company had 3% of non-performing receivables which comprised those with overdue from 90 days up in the amount of Baht 42 million, or 2% of the total, compared to Baht 61 million in 2004, a 31% decline. There were also receivables under litigation amounting to Baht 19 million, or 1%, compared to Baht 35 million of the prior year which the Company had already stopped income recognition as well as provided out allowance for these doubtful accounts at the set percentage.

The Company already provided total allowance for doubtful accounts in the amount of Baht 53 million, or 3% of total receivables, or 96% of non-performing receivables, compared to Baht 80 million of last year, or 4% of total receivables, or 91% of non-performing receivables.

Restricted Investment

The amount of such investment totaled Baht 283 million or 12% of overall assets. The part of the Company's own stood at Baht 80 million; Baht 65 million of which was used as collateral to buy forward cover contract in the amount of US Dollar 11 million. Another Baht 15 million was reserved as collateral for interest payment according to the loan agreement. The remaining Baht 203 million was reserved as ARSPV's fund for tax expenses, operating costs, principal and interest for the debentures in compliance with the rules about the rights and duties of the bond-issuer and the bond-holder.

Other Assets

The Company's other current assets and non-current assets stood at Baht 212 million or 9% of the total assets, compared to Baht 154 million in 2004, a 38% increase; details of which were as follows:

1. There were 30 items properties foreclosed comprised cars and machinery repossessed from the overdue receivables. The net book value of these properties net of the allowance for losses from decline in value was Baht 10 million, or 5% of other assets, compared to 28 items of Baht 8 million the year before, up 18%. The Company recorded



the loss from assets disposal and the estimated market price in the amount of Baht 14 million.

2. Floor-plan financing was Baht 9 million or 4% of other assets, declining from Baht 7 million of last year.
3. The value of the leased cars was Baht 27 million, or 13% of other assets; those mainly operated by STSL was value at Baht 22 million, compared to Baht 48 million of last year, a 54% decrease affected by the cease on its business expansion.
4. The Company's rights over the loan was Baht 127 million, or 60% of other assets. This was because the Company entered into a Fund Participation Agreement so as to participate in the rights over part of the Company's debt under the Replace Restructuring Agreement. The Fund Participation would benefit the Company for two years when the principal and interest were repaid by the debtor.
5. The receivables whose cases were won by the Company per court's order were 218 cases, amounting to Baht 138 million, or 65% of other assets. Yet the Company would need some time to collect the debt from customers, therefore the Company has reserved allowance for these debt at the full amount.
6. Deferred commission expense in the amount of Baht 10 million, compared to Baht 13 million of the previous year, a 23% decrease, due to the lesser amount of new businesses.
7. STSL wrote off its deferred income tax in the amount of Baht 7 million to bad debt since the tax cannot be utilized as tax credit in the future.

Liabilities

The Company's total liabilities at the end of year were Baht 1,528 million, of which 34% or Baht 521 million was current liabilities, compared to Baht 2,031 million of last year, a 25% decrease. Details were as follows:

1. Bank loans stood at Baht 1,111 million at the end of year, or 73% of the total figure, comprised 341 million in Baht borrowing, 19 million in US Dollar borrowing. In 2005, the Company had 5% of the loan due for repayment, but part of the loan had been transferred to new transferees whose status was still unclear of their eligibility. Thus



the Company made payments for principals and interests only to the eligible lenders in the amount of Baht 14 million and US Dollar 0.12 million, and defer the payment to those who were still unclear. The payment for the latter was Baht 5 million and US Dollar 1.2 million which the Company already booked the said amount as part of debt due within one year in the Balance Sheet and would proceed on it as soon as their eligibility would be clarified.

This loan agreement has 7 years period starting from January 1, 2003 to December 31, 2009 with a grace period in the first three years and the principal would be repaid semi-annually starting December 31, 2005 in the amount of Baht 55 million. In 2006, the due for repayment stated in the agreement would be 15% of the principal (details of the loan were disclosed in Notes to the Financial Statements).

2. ARSPV's Baht 800 million debentures sold to institutional investors in 2004 comprised of two tranches of debenture, the first one amounting to Baht 650 million, and the second Baht 150 million. They were issued under the Securitization Act, with the repayment of principal derived from the cash inflow from the rights over the hire-purchase contracts under the Securitization Act. The Company had transferred the said rights to ARSPV, worth Baht 1,000 million of the net book value to raise fund through the debentures issuance. The cash from these rights was used to repay the bonds and interest, including other expenses related to the securitization.

At the end of 2005, the outstanding balance of the debentures was Baht 299 million or 20% of the total liabilities, a 59% decrease from the previous year. The portion that due in 2006 would be Baht 247 million in comparison to the remaining value of the rights of Baht 304 million and the restricted investments in the amount of Baht 202 million.

3. Purchase option received in advance and guarantee deposits were collaterals for financial leases that the customers were to pay in advance for the rights to buy the leased assets at the end of the contracts and it amounted to Baht 51 million in this year, compared to Baht 63 of last year, a drop of 19%, due to lesser amount of contracts.
4. The Company's accounts payable stood at Baht 12 million or 1% of the total liabilities, compared to Baht 61 million, an 80% decrease, owing to the lower number of hire-purchase contracts at year end.



5. The debt under hire-purchase payables of *STSL* was Baht 5 million, 74% down from the prior year due to the cease of new business of this subsidiary.

Shareholders' Equity

The Company's net loss was Baht 32 million or Baht 0.54 per share which made the shareholders' equity reduced to Baht 819 million from Baht 851 million in the previous year, a 4% decrease. The book value per share was at Baht 13.65, compared to Baht 14.19 in the year before, thus the net loss ratio to shareholders' equity increased from 2.3% to 3.9 in this year.

Liquidity and Source of Fund Structure

The net cash flows from operating activities which decreased to Baht 81 million comprised:

1. Net cash in the amount of Baht 138 million, mostly came from bill collection of hire-purchase contracts, the rights over hire-purchase contracts and parts of operation. The uses of cash are mainly for hire-purchase businesses expansion, interest payment and fund participation.
2. Net cash flows gained from investing activities in the amount of Baht 255 million, most of which were the withdrawal of short-term and restricted investments to be used as working capital and for the repayment of *ARSPV*'s debentures.
3. Net cash flows provided for financing activities of Baht 475 million were to repay the Company's loan in the amount of Baht 19 million, to repay *ARSPV*'s debentures which amounted to 438 million, and to repay *STSL*'s hire-purchase debt of Baht 14 million. In addition, the Company spent Baht 3 million to cover the currency exchange rates of forward cover contracts.

At the end of 2005, the Company's cash and cash equivalents stood at Baht 234 million, a 26% drop from Baht 316 million of 2004. This figure when added with projected collection from the receivables in 2006 in the amount of Baht 720 million, of which Baht 507 million will come from the Company and Baht 213 million from *ARSPV*, would be totally Baht 954 million. After the loan repayment due within one year of Baht 459 million of which Baht 207 million would be for the Company's loan, Baht 248 million for debentures of *ARSPV* and Baht 4 million for *STSL*'s hire-purchase payable, the Company would have only Baht 495 million to acquire new business.



The Company would have to speedily seek new sources of fund or might face liquidity problem in the future since the current working capital was from its collection only.

MAIN FACTORS AND INFLUENCES THAT MAY AFFECT FUTURE PERFORMANCE OR FINANCIAL STATUS

The Company's debt/equity ratio decreased from 2.4 times in the year before to 1.9 times this year, resulting from the gradual repayment of the Company's loan and ARSPV's debentures. The Company can still seek for additional loan if that will not cause any risk in insufficient shareholder's equity or be against the covenant in the Replacement Restructuring Agreement that allowed the Company to cap its debt/equity ratio at 7:1 times.

Additionally, the fierce competition of hire purchase market is still focus on lowering the offering interest rates, though the interest rate tendency is rising. The Company has deferred its business expansion for the reason that lowering of offering interest rates would not benefit its performances. The interest received will not cover the operation cost, as shown by the increased loss to total assets ratio from 0.8 of last year to 1.2 this year. However, the decline of the Company's hire purchase finance when the offering interest rates are lowering might cause the Company to have insufficient cash flow in the future. This is because the receivables to debt ratio went down from 1.3 the year before to 1.1 time in this year which coincided with the decline of assets from the prior year.

The emphasis on the efficient receivables management is still a benefit to the Company's performance for it can help decrease the bad debt that may affect its future cash inflow. As long as the Company is still unable to find new source of fund, it has to efficiently manage its cash flow to ensure the best yield and the least loss.

AUDIT FEE

Audit Fee

In the year 2005, the Company paid auditing compensation to its auditing company in the amount of Baht 2.02 million.

Other service fees

The Company and its subsidiaries did not employ any other services.



**ANNUAL FINANCIAL STATEMENTS
AND
AUDIT REPORT OF CERTIFIED PUBLIC ACCOUNTANT**

**FOR THE YEARS ENDED
31 DECEMBER 2005 AND 2004**



To the shareholders of Scandinavian Leasing Public Company Limited

I have audited the accompanying consolidated balance sheets of Scandinavian Leasing Public Company Limited and its subsidiaries as at 31 December 2005 and 2004, the consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. I have also audited the balance sheets of Scandinavian Leasing Public Company Limited as at 31 December 2005 and 2004, the statements of income, changes in shareholders' equity and cash flows for the years then ended. The management of Scandinavian Leasing Public Company Limited is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scandinavian Leasing Public Company Limited and its subsidiaries and of Scandinavian Leasing Public Company Limited as at 31 December 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.



Without qualifying my opinion, I draw attention to Note 17 to the financial statements regarding to the Company entered into a Fund Participation Agreement (Note 15 to the financial statements) with Asian Advisory Group Pte Ltd amounting to Baht 120.4 million. It is not presently certain that entering into the Fund Participation Agreement is in accordance with the terms of the Replacement Restructuring Agreement. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(Sudchit Boonprakob)

Certified Public Accountant

Registration number 2991

KPMG Phoomchai Audit Ltd.

Bangkok

22 February 2006

**ASSETS**

		(in Baht)			
		CONSOLIDATED		THE COMPANY	
	Note	2005	2004	2005	2004
Current assets					
Cash and cash equivalents	6	234,477,859	315,813,342	204,045,568	292,705,364
Current investment		-	200,422,210	-	200,422,210
Rights over hire-purchase contracts, net	7	212,937,895	373,635,112	-	-
Hire-purchase contract receivables, net	5, 8	426,831,795	310,007,534	429,928,308	318,732,136
Financial lease contract receivables, net	9	80,481,146	93,994,906	80,481,146	93,994,906
Receivables from related parties	5	-	-	2,611,040	5,172,098
Short-term loan to a related party, net	5	-	-	-	209,662,280
Properties foreclosed, net	10	10,010,985	13,532,444	9,808,411	8,291,963
Value-added tax receivable		-	12,181,699	-	11,921,372
Restricted investments					
- Deposits at banks	14 (b)	92,281,009	64,521,285	-	-
- Bills of exchange	14 (b)	109,897,477	179,923,153	-	-
Other current assets		17,806,742	16,358,278	15,841,964	14,448,084
Total current assets		1,184,724,908	1,580,389,963	742,716,437	1,155,350,413



ASSETS

		(in Baht)			
		CONSOLIDATED		THE COMPANY	
	Note	2005	2004	2005	2004
Non-current assets					
Rights over hire-purchase contracts, net	7	91,266,363	351,009,274	-	-
Hire-purchase contract receivables, net	5, 8	701,310,471	624,631,545	701,631,510	628,172,977
Financial lease contract receivables, net	9	105,446,634	132,813,740	105,446,634	132,813,740
Long-term loan to a related party, net	5	-	-	195,465,496	-
Investments accounted for using the equity method	11	-	-	60,142,231	64,753,577
Other long-term investment - Bualuang capital augmented preferred securities fund		-	20,000,000	-	20,000,000
Property and equipment, net	12	16,432,213	13,949,871	15,794,097	12,913,792
Transportation equipment for lease, net	13	27,004,439	54,625,597	5,151,093	5,951,093
Restricted investments					
- Promissory notes	14 (a)	80,000,000	80,000,000	80,000,000	80,000,000
- Deposits at banks	14 (b)	611,288	609,025	-	-
Other non-current assets	15	140,813,521	24,156,239	138,806,514	15,379,189
Total non-current assets		1,162,884,929	1,301,795,291	1,302,437,575	959,984,368
Total assets		2,347,609,837	2,882,185,254	2,045,154,012	2,115,334,781



LIABILITIES AND SHAREHOLDERS' EQUITY

(in Baht)

		CONSOLIDATED		THE COMPANY	
	Note	2005	2004	2005	2004
Current liabilities					
Trade account payables					
- Related parties	5	8,835,817	25,179,576	13,618,030	25,179,576
- Others		3,649,679	35,949,124	3,619,693	35,936,997
Liabilities under hire-purchase contracts - current portion due within one year					
	18	4,262,823	14,001,239	-	-
Debentures - current portion due within one year					
	16	247,500,000	312,000,000	-	-
Debt under Replacement Restructuring Agreement - current portion due within one year					
	17	206,999,876	54,620,136	206,999,876	54,620,136
Accrued interest expense	17	23,848,726	5,645,824	21,696,069	189,813
Income tax payable		436,544	3,568,104	-	-
Value-added tax payable		1,789,736	-	1,747,632	-
Deferred subsidy income, net	5	11,305,783	9,675,484	11,305,782	9,675,484
Other current liabilities		12,166,830	13,480,737	11,681,993	12,461,304
Total current liabilities		520,795,814	474,120,224	270,669,075	138,063,310
Non-current liabilities					
Liabilities under hire-purchase contracts - portion due over one year					
	18	329,086	4,843,559	-	-
Debentures - portion due over one year					
	16	52,000,000	425,950,000	-	-
Debt under Replacement Restructuring Agreement - portion due over one year					
	17	904,084,923	1,062,988,259	904,084,923	1,062,988,259
Purchase option received in advance and guarantee deposits	9	51,373,848	63,010,471	51,373,848	63,010,471
Total non-current liabilities		1,007,787,857	1,556,792,289	955,458,771	1,125,998,730
Total liabilities		1,528,583,671	2,030,912,513	1,226,127,846	1,264,062,040



SHAREHOLDERS' EQUITY

		(in Baht)			
		CONSOLIDATED		THE COMPANY	
	Note	2005	2004	2005	2004
Shareholders' equity					
Share capital					
Authorised share capital	19	600,000,000	600,000,000	600,000,000	600,000,000
Issued and paid-up share capital	19	600,000,000	600,000,000	600,000,000	600,000,000
Share premium		132,816,567	132,816,567	132,816,567	132,816,567
Retained earnings					
Appropriated					
Legal reserve	20	6,914,822	6,914,822	6,914,822	6,914,822
Unappropriated		79,294,777	111,541,352	79,294,777	111,541,352
Total shareholders' equity		819,026,166	851,272,741	819,026,166	851,272,741
Total liabilities and shareholders' equity					
		2,347,609,837	2,882,185,254	2,045,154,012	2,115,334,781



		(in Baht)			
		CONSOLIDATED		THE COMPANY	
	Note	2005	2004	2005	2004
Revenues					
Income from hire-purchase contracts	5	71,224,228	72,223,750	71,769,065	73,691,095
Income from financial lease contracts	5	10,746,607	12,696,916	10,746,607	12,718,897
Interest income from rights over hire-purchase contracts		38,632,754	33,063,488	-	-
Income from rental and service		27,781,123	49,809,115	2,245,200	1,810,200
Reversal of doubtful accounts, net		18,224,987	29,029,991	18,224,987	29,029,991
Gain on foreign currency exchange rates, net		-	4,223,518	-	4,223,518
Service income	5	3,978,558	2,424,921	5,691,758	4,729,121
Interest income	5	8,377,108	5,673,406	18,111,241	8,372,817
Other income	5, 23	29,001,260	36,588,828	25,854,002	22,549,413
Share of profits from investments accounted for using the equity method	5	-	-	3,989,894	15,242,351
Total revenues		207,966,625	245,733,933	156,632,754	172,367,403
Expenses					
Operating and administrative expenses	24	153,249,265	211,265,013	114,506,348	156,459,990
Loss on foreign currency exchange, net		15,175,503	-	15,175,503	-
Directors' remuneration	25	3,598,000	3,132,000	3,598,000	3,132,000
Share of losses from investments accounted for using the equity method	5	-	-	9,261,181	1,989,635
Total expenses		172,022,768	214,397,013	142,541,032	161,581,625
Profit before interest and income tax expenses					
		35,943,857	31,336,920	14,091,722	10,785,778
Interest expense		67,202,953	44,864,806	46,338,297	30,626,036
Income tax expense	26	987,479	6,312,372	-	-
Net loss		(32,246,575)	(19,840,258)	(32,246,575)	(19,840,258)
Basic loss per share	27	(0.54)	(0.33)	(0.54)	(0.33)



FINANCIAL STATEMENTS

SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED
**STATEMENTS OF CHANGES
 IN SHAREHOLDERS' EQUITY**
 FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(in Baht)

	CONSOLIDATED / THE COMPANY				
	Issued and paid-up share capital	Share premium	<i>Retained earnings</i>		Total shareholders' equity
			Legal reserve	Unappro- priated	
Balance at 1 January 2004	600,000,000	132,816,567	6,914,822	131,381,610	871,112,999
Net loss	-	-	-	(19,840,258)	(19,840,258)
Balance at 31 December 2004	600,000,000	132,816,567	6,914,822	111,541,352	851,272,741
Net loss	-	-	-	(32,246,575)	(32,246,575)
Balance at 31 December 2005	600,000,000	132,816,567	6,914,822	79,294,777	819,026,166



(in Baht)

	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net loss	(32,246,575)	(19,840,258)	(32,246,575)	(19,840,258)
Adjustments for				
Depreciation and amortisation	35,485,547	53,639,052	15,065,061	15,639,045
Reversal of doubtful accounts, net	(18,224,987)	(29,029,991)	(18,224,987)	(29,029,991)
Share of losses (profits) from investments accounted for using the equity method	-	-	5,271,287	(13,252,716)
Loss on valuation of properties foreclosed	13,273,617	7,469,467	13,472,444	7,270,640
Gain on disposal of property and equipment	(937,401)	(465,493)	(930,395)	(790,921)
Loss (Gain) on disposal of properties foreclosed	(4,420,280)	26,359,323	419,793	40,274,953
Unrealized loss (gain) on foreign currency exchange rates, net	15,639,085	(4,192,464)	15,639,085	(4,192,464)
Profit (Loss) provided by (used in) operating activities before changes in operating assets and liabilities	8,569,006	33,939,636	(1,534,287)	(3,921,712)



	(in Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Changes in operating assets and liabilities				
Rights over hire-purchase contracts	421,243,344	(729,982,106)	-	-
Hire-purchase contract receivables	(213,197,797)	496,001,063	(204,349,316)	513,339,690
Financial lease contract receivables	38,427,578	31,865,155	38,427,578	33,787,073
Receivables from related parties	-	-	1,247,473	277,116
Properties foreclosed	42,276,212	53,590,370	24,294,118	22,267,809
Value-added tax receivable	12,181,699	(12,181,699)	11,921,372	(11,921,372)
Other current assets	(1,448,464)	4,248,268	(740,234)	(767,177)
Other non-current assets	(126,542,882)	(10,992,049)	(133,312,925)	(10,903,183)
Trade account payables - related parties	(16,343,759)	20,410,303	(11,561,546)	20,410,303
Trade account payables - others	(32,299,445)	23,552,034	(32,317,304)	23,539,907
Accrued interest expense	18,202,903	5,493,912	21,506,256	37,901
Income taxes payable	(3,131,560)	2,582,654	-	-
Value-added tax payable	1,789,736	(3,157,712)	1,747,632	(3,157,712)
Deferred subsidy income	1,630,299	9,675,484	1,630,299	9,675,484
Other current liabilities	(1,313,906)	3,797,787	(779,311)	4,659,112
Purchase option received in advance and guarantee deposits	(11,636,623)	(23,294,877)	(11,636,623)	(23,294,877)
Net cash provided by (used in) operating activities	138,406,341	(94,451,777)	(295,456,818)	574,028,362



(in Baht)

	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Cash flows from investing activities				
Loan to a related party	-	-	15,000,000	(215,000,000)
Investment accounted for using the equity method	-	-	-	(2,600)
Current investment	200,422,210	(200,422,210)	200,422,210	(200,422,210)
Other long-term investment - Bualuang capital augmented preferred securities fund	20,000,000	-	20,000,000	-
Restricted investments	42,263,688	(199,446,695)	-	45,000,000
Sales of property and equipment	1,169,626	2,387,037	1,162,617	1,686,103
Purchases of property and equipment	(8,271,539)	(8,576,051)	(7,164,885)	(8,561,929)
Net cash provided by (used in) investing activities	255,583,985	(406,057,919)	229,419,942	(377,300,636)
Cash flows from financing activities				
Payment of liabilities under hire-purchase contracts	(14,252,889)	(20,978,137)	-	-
Proceeds from debentures	-	800,000,000	-	-
Debentures payment	(438,450,000)	(62,050,000)	-	-
Payments of debt under Replacement Restructuring Agreement	(19,162,798)	-	(19,162,798)	-
Changes in forward exchange rate in debt under Replacement Restructuring Agreement	(3,460,122)	15,118,072	(3,460,122)	15,118,072
Net cash provided by (used in) financing activities	(475,325,809)	732,089,935	(22,622,920)	15,118,072



(in Baht)

	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Net increase (decrease) in cash and cash equivalents	(81,335,483)	231,580,239	(88,659,796)	211,845,798
Cash and cash equivalents at beginning of year	315,813,342	84,233,103	292,705,364	80,859,566
Cash and cash equivalents at end of year	234,477,859	315,813,342	204,045,568	292,705,364

Cash flows from operating activities include:

Interest received	9,156,856	4,581,404	19,545,039	4,668,265
Interest paid	(49,000,050)	(39,370,894)	(24,832,041)	(30,588,135)
Income taxes paid	(4,661,464)	(5,292,540)	(762,415)	(1,986,376)

Non-cash transaction

Properties foreclosed transferred from hire-purchase and financial lease contract receivables	44,134,826	73,055,608	44,134,826	73,055,608
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Note	Contents
1	General information
2	Basis of preparation of financial statements
3	Significant accounting policies
4	Basis for providing allowance for doubtful accounts
5	Related party transactions and balances
6	Cash and cash equivalents
7	Rights over hire-purchase contracts, net
8	Hire-purchase contract receivables, net
9	Financial lease contract receivables, net
10	Properties foreclosed, net
11	Investments accounted for using the equity method
12	Property and equipment, net
13	Transportation equipment for lease, net
14	Restricted investments
15	Other non-current assets
16	Debentures
17	Debt under replacement restructuring agreement
18	Liabilities under hire-purchase contracts
19	Share capital
20	Legal reserve
21	Segment information
22	Provident fund
23	Other income
24	Operating and administrative expenses
25	Directors' remuneration
26	Income tax expense
27	Basic loss per share
28	Financial instruments
29	Commitments
30	Reclassification of accounts



These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 22 February 2006.

1 GENERAL INFORMATION

Scandinavian Leasing Public Company Limited, the "Company", is incorporated in Thailand and has its registered office at 142, 20th Floor, Two Pacific Place, Sukhumvit Road, Klongtoey, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 17 June 1994.

The immediate holding company during the financial year was Swedish Motors Corporation Public Company Limited which was incorporated in Thailand.

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are provision of financial services (leasing and hire-purchase) to individuals and corporations, operating lease and maintenance services, asset management and special purpose vehicle.

The Group employs 83 employees as of 31 December 2005 (*2004: 80 employees*). The employee costs of the Group for the year ended 31 December 2005 amounted to Baht 54 million (*2004: Baht 50 million*).

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards ("TAS") including related interpretations and guidelines promulgated by the Federation of Accounting Professions ("FAP") and with generally accepted accounting principles in Thailand.



In 2005, the Group adopted the following new TAS which are relevant to its operations:

TAS 52 *Events after the Balance Sheet Date*

TAS 53 *Provisions, Contingent Liabilities and Contingent Assets*

The adoption of these new TAS has no material effect on the financial statements.

The financial statements are presented in Thai Baht, unless otherwise stated. They are prepared on the historical cost basis except as disclosed in the notes to financial statements.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the "Group"). Details of the Company's subsidiaries are as follows:

	Type of business	Country of incorporation	Ownership interest	
			2005	2004
Scan Transport Service Limited	Operating lease and maintenance services	Thailand	99.99%	99.99%
Scan AMC Co., Ltd.	Assets management	Thailand	99.99%	99.99%
Auto Receivables SPV Company Limited	Special purpose vehicle	Thailand	100.00%	100.00%



Significant intra-group transactions between the Company and its subsidiaries are eliminated on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange arising from financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

(d) Hedging

Loans denominated in foreign currencies that are covered by forward exchange contract are translated into Baht at forward exchange rates. The related forward



premiums are deferred and amortized by the straight-line method over the terms of the forward exchange contracts.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balance, call deposits and highly liquid short-term investments.

(f) Rights over hire-purchase contracts, hire-purchase and financial lease contract receivables and other receivables

Rights over hire-purchase contracts, hire-purchase and financial leases (including balances with related parties) are stated at original contract amount less unearned interest income and an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories, the aging of account receivables and future expectations of customer payments. Bad debts are written off when incurred.

(g) Properties foreclosed

Properties foreclosed are stated at the lower of net receivable balance and net proceeds to be received from the sales of the foreclosed assets.

(h) Investments

Investments in subsidiaries

Investments in subsidiaries in the Company's financial statements are accounted for using the equity method.

Investments in debt securities

Debt securities that the Group intends and is able to hold to maturity are stated at amortised cost less impairment losses. The difference between the acquisition cost



and redemption value of such debt securities is amortised using the effective interest rate method over the period to maturity.

Debt securities other than those securities held for trading or intended to be held to maturity, are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. The exceptions are impairment losses and foreign exchange gains and losses, which are recognized in the statement of income.

Investments that have restrictions in their use are presented separately as "Restricted investments" under non-current assets in the balance sheet.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the balance sheet date.

Disposal of investments

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(i) Property and equipment and transportation equipment for lease

Owned assets

Property and equipment and transportation equipment for lease are stated at cost less accumulated depreciation and impairment losses.

Depreciation

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives are as follows:

Transportation equipment	5	years
Furniture, fixtures and office equipment	5	years
Transportation equipment for lease	5	years



(j) Prepaid commission

Prepaid commission is amortised to each installment period by the sum-of-the digits basis.

(k) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized in the statement of income.

Calculation of recoverable amount

The recoverable amount of assets is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(l) Interest-bearing liabilities**

Interest-bearing liabilities are recognised initially at cost less attributable transaction charges. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

(m) Trade and other payables

Trade and other payables (including balances with related parties) are stated at cost.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Revenues*Income from hire-purchase and financial lease contracts*

The Company recognises income on hire-purchase and financial lease contracts as unearned interest income in each installment period based on the sum-of-the-digits method. Income on each installment is recognised on the accrual basis (based on the due dates of the installment irrespective of actual collections). Prior to 1 July 2004, the Company ceased recognising income when the receivables are in litigation or in the repossession process. The Company has a policy to commence litigation or repossession when the receivables become six months overdue and onwards.



Starting from 1 July 2004, the Company ceases recognising income when the receivables are overdue more than 90 days except when there is an indication of inability to repay, when income recognition is ceased immediately.

Interest income from rights over hire-purchase contracts

The subsidiary recognises interest income from rights over hire-purchase contracts in each installment period based on the sum-of-the-digits method, which approximates effective interest rate method. Interest income is recognised on the accrual basis (based on the due dates of the installment irrespective of actual collections). The subsidiary ceases recognising income when the receivables are overdue more than 90 days and onwards.

Rental income

Rental income is recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income.

Interest income

Interest income is recognized in the statement of income as it accrues.

(p) Expenses

Operating leases

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease payments made. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

Finance costs

Interest expenses and similar costs are charged to the statement of income in the period in which they are incurred.

**(q) Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognised for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 BASIS FOR PROVIDING ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Group estimates the allowance for doubtful accounts by using an alternative method as allowed in the accounting guideline issued by the Institute of Certified Accountants and Auditors of Thailand Re: Providing allowance for doubtful accounts for consumer finance business ('ICAAT Guideline'). The Group estimates the allowance for doubtful accounts by considering the number of installment periods overdue and applying a percentage as set out in the table shown in next page. For hire-purchase contract receivables, the percentage is applied to gross receivables less unearned interest income



and deposits received, if any. For financial lease contract receivables, the percentage is applied to gross receivables less unearned interest income and advances received from lessees for purchase options under the financial lease contracts. The percentages applied by the Group for calculating the allowance for doubtful accounts are as follows:

Periods overdue	Percentage applied
Not yet due, to overdue not exceeding 7 days	0.5
Overdue more than 7 days to 90 days	1.0
Overdue more than 90 days to 180 days	20.0
Overdue more than 180 days	100.0
Receivables under litigations	100.0

The Group also considers making additional allowance for doubtful accounts when there are other indications that the hire-purchase and financial lease contract debtors may be unable to repay amounts owed to the Group.

The Group's method for calculating the allowance for doubtful accounts is different from the ICAAT Guideline. The ICAAT Guideline prescribes that allowance for doubtful accounts should be made in the full amount of all outstanding receivables that are overdue for over 3 installment periods without the deduction of collateral values and that consideration should also be given to making a general allowance for receivables which are overdue for less than 3 installment periods. If the Group had made allowance for doubtful accounts in accordance with the ICAAT Guideline, without making a general allowance for receivables overdue for less than 3 installment periods, the allowance for doubtful accounts as at 31 December 2005 would increase by Baht 2.8 million (2004: Baht 9.5 million). However, the management believes that the Group's basis for making allowance for doubtful accounts, which considers additional general reserve, is adequate because the granting of credit for vehicles is not consumer finance business. Moreover, during the past five years, the Group had loss from actual bad debts for the year ended 31 December 2005 on average at 1.48% (2004: 1.54%) of net financed amounts. As at 31 December 2005, the Group had recorded the allowance for doubtful accounts for hire-purchase and financial lease contract receivables at 10.87% (2004: 10.48%) of receivables less unearned interest income and guarantee deposits without deduction of collateral assets. Comparing to the actual loss, the percentage of allowance for doubtful accounts provided is high. This is because the Group still has receivables from granting of credit



for machinery against which the Group has made full allowance for doubtful accounts. Generally, losses from granting of credit for machinery will be higher than from granting of credit for vehicles. The Group has not granted credit for machinery since 1998. Currently, more than 95% of the Group's receivables derive from granting of credit for vehicles.

5 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties linked to the Group by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

The pricing policies for particular types of transactions are explained further below:

	Pricing policies
Income from hire-purchase and financial lease contracts	Market prices
Service income	As specified in the agreement

Transactions for the years ended 31 December 2005 and 2004 with related parties are summarised as follows:

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Revenue				
Income from hire-purchase and financial lease contracts	-	-	545	1,489
Service income	-	-	2,700	3,600
Share of profit from investments recorded by the equity method	-	-	3,990	15,242
Interest income	-	-	11,007	3,241
Other income	-	-	2,992	1,129
Expense				
Share of loss from investments recorded by the equity method	-	-	9,261	1,990



Balances as at 31 December 2005 and 2004 with related parties are as follows:

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
<i>Hire-purchase contract receivables</i>				
<i>- net of unearned interest income</i>				
Scan Transport Service Limited	-	-	3,418	12,266

Receivables from related parties

Scan AMC Co., Ltd.	-	-	652	732
Auto Receivables SPV Company Limited	-	-	1,959	4,440
Total	-	-	2,611	5,172

Loan to related party

Auto Receivables SPV Company Limited	-	-	195,465	209,662
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Movements during the years on loan to a related party are as follows:

	(in thousand Baht)	
	THE COMPANY	
	2005	2004
At 1 January	215,000	-
Increase	-	215,000
Decrease	(15,000)	-
Less allowance for doubtful account	(4,535)	(5,338)
At 31 December	195,465	209,662



(in thousand Baht)

	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Trade payables - related parties				
Swedish Motors Corporation Public Company Limited	8,836	25,180	8,836	25,180
Auto Receivables SPV Company Limited	-	-	4,782	-
Total	8,836	25,180	13,618	25,180

Deferred subsidy income, net

Swedish Motors Corporation Public Company Limited	11,306	9,675	11,306	9,675
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The Company charged interest on hire-purchase and financial lease contracts with related parties during 2005 and 2004 at market rates given same timing, terms, guarantee deposits and type of assets.

On 16 August 2004, the Company entered into agreements with Auto Receivables SPV Company Limited, which was incorporated under the Civil and Commercial Code of Thailand to be a special purpose vehicle under the Securitization Law and was approved by the Securities and Exchange Commission on 9 August 2004 for the securitization of rights over hire-purchase contracts. The significant agreements between the Company and Auto Receivables SPV Company Limited are as follows:

1 Asset Sale Agreement

The Company agreed to sell the rights over qualifying hire-purchase contracts to Auto Receivables SPV Company Limited. Qualifying contracts are those for which:

- at least three consecutive installments of the receivables originating under the contracts have been received prior to 30 June 2004 (Cut-off Date) and the remaining terms of the contracts are less than 48 months.
- the effective interest rate is not less than 5% per annum.
- the principal outstanding balance on the contract does not exceed Baht 2.5 million.



- receivables have not been overdue more than 30 days from the initial due date regardless of any extension of payment.

Furthermore, not more than 35% by value as at the Cut-off Date of the rights sold should be in respect of hire-purchase contracts for used vehicles.

Summary of significant information on assigned rights over hire-purchase contracts is as follows:

- book value of outstanding principal on the Cut-off Date is Baht 1,000,033,126
- number of contracts are 3,390 contracts
- the average book value per contract is Baht 294,995
- the remaining term to maturity of the majority of the assigned rights is in the range of 25 - 48 months
- the average effective interest rate is 7.41% per annum
- the overdue period of the majority of the assigned rights is between 0-9 days

Under the Assets Sale Agreement for rights over hire-purchase contracts with Auto Receivables SPV Company Limited, during the Securitization Plan, there will be no additional sale or repurchase of the assigned rights, except when:

- the assigned rights are not eligible receivables as set out in the Asset Sale Agreement, the Company has to repurchase such assigned rights at the net book value (rights over hire-purchase contracts less unearned interest income), or
- any assigned rights become Non Performing Assigned Rights, which means a payment of amounts due for a period exceeding 120 days has not been made. The repurchase price will be the net book value (rights over hire-purchase contracts less unearned interest income) of the Non Performing Assigned Rights.

Under the Asset Sale Agreement with Auto Receivables SPV Company Limited, the Company repurchased the Non Performing Assigned Rights with net book value totaling Baht 9.8 (2004: Baht 2.0 million). As at 31 December 2005, the outstanding Non Performing Assigned Rights were totaling Baht 4.9 million (2004: Baht 2.0 million).



As at 31 December 2005 and 2004, the aggregate outstanding balances of assigned rights sold to Auto Receivables SPV Company Limited which are serviced by the Company was Baht 308.8 million (2004: Baht 724.6 million).

2 Servicing Agreement

The Servicing Agreement is made between Auto Receivables SPV Company Limited (the Hirer and Issuer of Debentures) and the Company (the Servicer) and Kasikornbank Public Company Limited (the Back up Servicer) in relation to the collection of hire-purchase receivables on behalf of the Issuer as well as the provision of other functions, e.g. administration services (i.e. maintaining records of all receipts and reporting on all collections), including other administration services in relation to the assigned rights. The service fee under this agreement is Baht 3 million per year. If the Servicer is unable to perform the function of collection due to the occurrence of circumstances set out in the agreement, the Back up Servicer shall immediately become the temporary Servicer until the successor has been appointed.

3 Subordinated Bridging Loan Facility Agreement and Subordinated Long-Term Facility Agreement

On 16 August 2004, the Company entered into a Subordinated Bridging Loan Facility Agreement with Auto Receivables SPV Company Limited (the Borrower) in an amount of Baht 215 million with interest at 3% per annum. The principal and interest will mature in six months. The repayments are separated into:

- Principal of Baht 15 million and all interest will be paid from the proceeds from collections of the rights over hire-purchase contracts.
- Principal of Baht 200 million will be converted to a Subordinated Long-Term Loan, which will be granted by the Company in February 2005. The Company entered into the Subordinated Long-Term Facility Agreement on 10 February 2005. The loan bears interest rate at 5.5% per annum. Interest is payable every 3 months and the Subordinated Long-Term Loan has a maturity of four years. Repayment of the loan is subordinated to the prior payment in full of the Borrower's outstanding debentures,



all related expenses and fees under the Securitization Plan. Furthermore, the Company may also not receive full repayment of the loan if the assigned rights become non-performing. As a result, as at 31 December 2005, the Company provided allowance for loan losses equal to the allowance for doubtful assigned rights of Baht 4.5 million (2004: Baht 5.3 million).

Significant financial covenants that would result in the Borrower ceasing to repay the principal of Subordinate Loan are:

- Ratio between "Non-Performing Assigned Rights" and "Principal Outstanding of total Assigned Rights" which is greater than 10% and no improvement by 30 days. Non-Performing Assigned Rights means the aggregate of the principal assigned rights exceeding Baht 100, which have been due but unpaid for a period exceeding 120 days.
- "Average Debt Collection Capability Ratio" calculated for three-month period is less than 85%. The Average Debt Collection Capability Ratio is the ratio of the actual principal collections for such period to the expected principal collections from the agreements that would have been received during the period if there had been no defaults.

In addition, the Company has entered into a management agreement with Scan Transport Service Limited to provide assistance in general business management advice, financial advice, systems in operational, financial and administrative areas.

6 CASH AND CASH EQUIVALENTS

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Cash at bank and on hand	79,478	115,708	49,046	92,600
Current investments with maturities less than 3 months	155,000	200,105	155,000	200,105
Total	234,478	315,813	204,046	292,705



7 RIGHTS OVER HIRE-PURCHASE CONTRACTS, NET

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Consolidated financial statements				
Rights over hire-purchase contracts	231,357	417,947	94,209	370,096
Less unearned interest income	(13,815)	(38,883)	(2,943)	(19,087)
Less allowance for doubtful accounts	(4,534)	(5,338)	-	-
Less suspense account from accounts receivable	(70)	(91)	-	-
Total	212,938	373,635	91,266	351,009

As at 31 December 2005 and 2004, a subsidiary had outstanding balances of rights over hire-purchase contracts, which were aged as follows:

	Number of contracts	(in thousand Baht)			Percentage of allowance for doubtful accounts	(in thousand Baht)
		Rights over hire-purchase contracts	Unearned interest income	Net		Allowance for doubtful accounts
31 December 2005						
Consolidated						
Rights over hire-purchase contracts outstanding:						
- Not yet due, to not exceeding 7 days	1,593	273,363	(13,850)	259,513	0.5	1,297
- More than 7 days to 90 days	221	46,226	(2,555)	43,671	1.0	437
- More than 90 days to 180 days	17	4,460	(234)	4,226	20.0	845
- More than 180 days	6	1,517	(119)	1,398	100.0	1,398
Total	1,837	325,566	(16,758)	308,808		3,977
Additional allowance for doubtful accounts						557
Total allowance for doubtful accounts						4,534



		(in thousand Baht)				(in thousand Baht)
	Number of contracts	Rights over hire-purchase contracts	Unearned interest income	Net	Percentage of allowance for doubtful accounts	Allowance for doubtful accounts
31 December 2004						
Consolidated						
Rights over hire-purchase contracts outstanding:						
- Not yet due, to not exceeding 7 days	2,640	685,689	(49,453)	636,236	0.5	3,181
- More than 7 days to 90 days	315	98,760	(8,208)	90,552	1.0	906
- More than 90 days to 180 days	16	3,594	(309)	3,285	20.0	657
- More than 180 days	-	-	-	-	100.0	-
Total	2,971	788,043	(57,970)	730,073		4,744
Additional allowance for doubtful accounts						594
Total allowance for doubtful accounts						5,338



8 HIRE-PURCHASE CONTRACT RECEIVABLES, NET

	(in thousand Baht)			
	PORTION DUE WITHIN ONE YEAR		PORTION DUE OVER ONE YEAR	
	2005	2004	2005	2004
Consolidated				
Hire-purchase contract receivables	497,879	391,257	744,123	667,423
Less unearned interest income	(50,932)	(42,525)	(42,813)	(42,791)
Less allowance for doubtful accounts	(18,340)	(37,362)	-	-
Less suspense account from accounts receivable	(1,775)	(1,362)	-	-
Net	426,832	310,008	701,310	624,632

The Company

Hire-purchase contract receivables				
- Subsidiary				
Scan Transport Service Limited	3,200	9,272	324	3,649
- Others	497,879	391,257	744,124	667,423
Total	501,079	400,529	744,448	671,072
Less unearned interest income	(51,036)	(43,073)	(42,816)	(42,899)
Less allowance for doubtful accounts	(18,340)	(37,362)	-	-
Less suspense account from accounts receivable	(1,775)	(1,362)	-	-
Net	429,928	318,732	701,632	628,173



As at 31 December 2005 and 2004, outstanding balances of hire-purchase contract receivables were aged as follows:

		(in thousand Baht)			Percentage of allowance for doubtful accounts	(in thousand Baht) Allowance for doubtful accounts
	Number of contracts	Outstand- ing balance	Unearned interest income	Net		
31 December 2005						
Consolidated						
Hire-purchase contract receivables outstanding:						
- Not yet due, to not exceeding 7 days	1,965	1,111,154	(83,792)	1,027,362	0.5	5,137
- More than 7 days to 90 days	247	109,308	(9,192)	100,116	1.0	1,001
- More than 90 days to 180 days	51	12,332	(737)	11,595	20.0	2,319
- More than 180 days	15	1,409	(24)	1,385	100.0	1,385
Receivables under litigation:						
- Under litigations during 1994 to 2005	18	7,799	-	7,799	100.0	7,799
Total	2,296	1,242,002	(93,745)	1,148,257		17,641
Additional allowance for doubtful accounts						699
Total allowance for doubtful accounts						18,340



		(in thousand Baht)			Percentage of allowance for doubtful accounts	(in thousand Baht) Allowance for doubtful accounts
	Number of contracts	Outstand- ing balance	Unearned interest income	Net		
The Company						
Hire-purchase contract						
receivables outstanding:						
- Not yet due,						
to not exceeding 7 days	1,990	1,114,678	(83,899)	1,030,779	0.5	5,154
- More than 7 days						
to 90 days	247	109,309	(9,192)	100,117	1.0	1,001
- More than 90 days						
to 180 days	51	12,332	(737)	11,595	20.0	2,319
- More than 180 days	15	1,409	(24)	1,385	100.0	1,385
Receivables under litigation:						
- Under litigations during						
1994 to 2005	18	7,799	-	7,799	100.0	7,799
Total	2,321	1,245,527	(93,852)	1,151,675		17,658
Additional allowance for						
doubtful accounts						682
Total allowance for doubtful accounts						18,340



		(in thousand Baht)			Percentage of allowance for doubtful accounts	(in thousand Baht) Allowance for doubtful accounts
	Number of contracts	Outstanding balance	Unearned interest income	Net		
31 December 2004						
Consolidated						
Hire-purchase contract receivables outstanding:						
- Not yet due, to not exceeding 7 days	1,344	931,142	(76,104)	855,038	0.5	4,275
- More than 7 days to 90 days	211	75,271	(6,660)	68,611	1.0	686
- More than 90 days to 180 days	73	24,661	(2,099)	22,562	20.0	4,513
- More than 180 days	28	6,906	(453)	6,453	100.0	6,453
Receivables under litigation:						
- Under litigations during 1994 to 2004	30	20,700	-	20,700	100.0	20,700
Total	1,686	1,058,680	(85,316)	973,364		36,627
Additional allowance for doubtful accounts						735
Total allowance for doubtful accounts						37,362



		(in thousand Baht)			Percentage of allowance for doubtful accounts	(in thousand Baht) Allowance for doubtful accounts
	Number of contracts	Outstand- ing balance	Unearned interest income	Net		
The Company						
Hire-purchase contract receivables outstanding:						
- Not yet due, to not exceeding 7 days	1,378	944,063	(76,760)	867,303	0.5	4,337
- More than 7 days to 90 days	211	75,271	(6,660)	68,611	1.0	686
- More than 90 days to 180 days	73	24,661	(2,099)	22,562	20.0	4,513
- More than 180 days	28	6,906	(453)	6,453	100.0	6,453
Receivables under litigation:						
- Under litigations during 1994 to 2004	30	20,700	-	20,700	100.0	20,700
Total	1,720	1,071,601	(85,972)	985,629		36,689
Additional allowance for doubtful accounts						673
Total allowance for doubtful accounts						37,362



9 FINANCIAL LEASE CONTRACT RECEIVABLES, NET

	(in thousand Baht)			
	PORTION DUE WITHIN ONE YEAR		PORTION DUE OVER ONE YEAR	
	2005	2004	2005	2004
Consolidated/The Company				
Financial lease contract receivables	116,646	139,110	109,457	138,293
Less unearned interest income	(5,703)	(7,732)	(4,010)	(5,479)
Less allowance for doubtful accounts	(30,462)	(37,383)	-	-
Net	80,481	93,995	105,447	132,814



As at 31 December 2005 and 2004, outstanding balances of financial lease contract receivables were aged as follows:

	(in thousand Baht)					(in thousand Baht)	
	Number of contracts	Outstanding balance	Guarantee deposits	Unearned interest income	Net	Percentage of allowance for doubtful accounts	Allowance for doubtful accounts
31 December 2005							
Consolidated/The Company							
Financial lease contract receivables outstanding:							
- Not yet due,							
to not exceeding 7 days	308	189,694	(44,176)	(9,491)	136,027	0.5	680
- More than 7 days							
to 90 days	1	589	(94)	(27)	468	1.0	4
- More than 90 days							
to 180 days	1	2,377	-	(195)	2,182	20.0	436
- More than 180 days	43	21,784	(7,104)	-	14,680	100.0	14,680
Receivables under litigation:							
- Under litigations during							
1994 to 2005	6	11,659	-	-	11,659	100.0	11,659
Total	359	226,103	(51,374)	(9,713)	165,016		27,459
Additional allowance for doubtful accounts							
							3,003
Total allowance for doubtful accounts							30,462



	(in thousand Baht)						(in thousand Baht)
	Number of contracts	Outstand- ing balance	Guarantee deposits	Unearned interest income	Net	Percentage of allowance for doubtful accounts	Allowance for doubtful accounts
31 December 2004							
Consolidated/The Company							
Financial lease contract receivables outstanding:							
- Not yet due,							
to not exceeding 7 days	349	231,918	(55,764)	(12,863)	163,291	0.5	816
- More than 7 days							
to 90 days	2	3,093	(143)	(344)	2,606	1.0	26
- More than 90 days							
to 180 days	-	-	-	-	-	20.0	-
- More than 180 days	58	28,201	(7,104)	(4)	21,093	100.0	21,093
Receivables under litigation:							
- Under litigations during							
1994 to 2004	11	14,191	-	-	14,191	100.0	14,191
Total	420	277,403	(63,011)	(13,211)	201,181		36,126
Additional allowance for doubtful accounts							
							1,257
Total allowance for doubtful accounts							37,383

Under the provisions of certain financial lease agreements, the lessees have an option to purchase the leased equipment upon the expiration of the lease terms. In this connection, the lessees are required to pay the sums as guarantee for exercising the purchase option in advance. The Company presents these payments under non-current liabilities in the balance sheet.



10 PROPERTIES FORECLOSED, NET

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Transportation equipment and machinery	11,841	15,749	11,638	10,310
Less allowance for losses from decline in value of properties foreclosed	(1,830)	(2,217)	(1,830)	(2,018)
Net	10,011	13,532	9,808	8,292

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	(in thousand Baht)									
	THE COMPANY									
	OWNERSHIP		PAID-UP		COST		EQUITY		DIVIDEND	
	INTEREST		CAPITAL		METHOD		METHOD			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Subsidiaries										
Scan Transport Service Limited	99.99%	99.99%	60,000	60,000	60,000	60,000	44,920	53,521	-	-
Scan AMC Co., Ltd.	99.99%	99.99%	600,000	600,000	600,000	600,000	-	-	-	-
Auto Receivables SPV Company Limited	100.00%	100.00%	3	3	3	3	15,222	11,233	-	-
Total					660,003	660,003	60,142	64,754	-	-



12 PROPERTY AND EQUIPMENT, NET

	(in thousand Baht)		
	CONSOLIDATED		
	TRANSPORTA- TION EQUIPMENT	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	TOTAL
Cost			
At 1 January 2004	32,708	26,069	58,777
Additions	4,743	716	5,459
Disposals	9,453	-	9,453
At 31 December 2004	27,998	26,785	54,783
Additions	6,250	1,358	7,608
Disposals	3,894	122	4,016
At 31 December 2005	30,354	28,021	58,375
Accumulated depreciation			
At 1 January 2004	17,387	24,448	41,835
Depreciation charge for the year	5,743	787	6,530
Disposals	7,532	-	7,532
At 31 December 2004	15,598	25,235	40,833
Depreciation charge for the year	4,167	727	4,894
Disposals	3,662	122	3,784
At 31 December 2005	16,103	25,840	41,943
Net book value			
At 31 December 2004	12,400	1,550	13,950
At 31 December 2005	14,251	2,181	16,432



(in thousand Baht)

	THE COMPANY		
	TRANSPORTA- TION EQUIPMENT	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	TOTAL
Cost			
At 1 January 2004	26,547	25,231	51,778
Additions	4,848	709	5,557
Disposals	5,672	-	5,672
At 31 December 2004	25,723	25,940	51,663
Additions	6,250	1,242	7,492
Disposals	3,894	-	3,894
At 31 December 2005	28,079	27,182	55,261
Accumulated depreciation			
At 1 January 2004	14,442	23,859	38,301
Depreciation charge for the year	4,595	630	5,225
Disposals	4,777	-	4,777
At 31 December 2004	14,260	24,489	38,749
Depreciation charge for the year	3,712	668	4,380
Disposals	3,662	-	3,662
At 31 December 2005	14,310	25,157	39,467
Net book value			
At 31 December 2004	11,463	1,451	12,914
At 31 December 2005	13,769	2,025	15,794

**13 TRANSPORTATION EQUIPMENT FOR LEASE, NET**

	(in thousand Baht)	
	CONSOLIDATED	THE COMPANY
Cost		
At 1 January 2004	217,140	3,811
Additions	3,454	3,005
Disposals	97,608	-
At 31 December 2004	122,986	6,816
Additions	990	-
Disposals	31,388	-
At 31 December 2005	92,588	6,816
Accumulated depreciation		
At 1 January 2004	105,197	148
Depreciation charge for the year	37,484	717
Disposals	74,321	-
At 31 December 2004	68,360	865
Depreciation charge for the year	20,706	800
Disposals	23,482	-
At 31 December 2005	65,584	1,665
Net book value		
At 31 December 2004	54,626	5,951
At 31 December 2005	27,004	5,151

14 RESTRICTED INVESTMENTS**(a) Promissory notes**

As at 31 December 2005 and 2004, the Company's promissory note of Baht 15 million has been pledged to secure debt service reserve account of the Company's debt under the Replacement Restructuring Agreement (see Note 17) and the Company's promissory note of Baht 65 million, has been pledged to secure a forward purchase contract with the Thai Military Bank Public Company Limited (see Note 17).

**(b) Deposits at banks and bills of exchange**

As at 31 December 2005 and 2004, the restricted investments comprise saving deposits and current accounts and bills of exchange with original maturities within 1 month. Under the issuance of the debentures by a subsidiary (Auto Receivables SPV Company Limited), the subsidiary has to provide reserve accounts for tax payment, fees, expenses, interest expense on debentures, debentures and retention account for repayment of outstanding debt under Asset Sale Agreement for rights over hire-purchase contracts totaling Baht 65 million (see Note 16).

As at 31 December 2005 and 2004, the restricted deposit at bank of another subsidiary (Scan Transport Service Limited) of Baht 0.6 million had been pledged with a local bank as collateral for a bank guarantee issued on behalf of the subsidiary in favor of a state enterprise.

15 OTHER NON-CURRENT ASSETS

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Participation in the rights over the Company's debt	120,365	-	120,365	-
Receivables for which the court has ruled in favour of the Company	138,486	134,988	138,486	134,988
Less allowance for doubtful accounts	(138,486)	(134,988)	(138,486)	(134,988)
Others	20,449	24,156	18,442	15,379
Total	140,814	24,156	138,807	15,379

On 2 December 2005, the Company entered into a Fund Participation Agreement with Asian Advisory Group Pte Ltd (AAG), so as to have the participation in the rights over part of the Company's debt under the Replacement Restructuring Agreement (Note 17). Under the Fund Participation Agreement, the Company has participated U.S. Dollars 2.94 million or the equivalent at prevailing exchange rate at the end of the year of Baht 120.4 million for the Company's debt that AAG bought from a creditor. The Company has recorded this transaction as participation in the rights over the Company's debt. The agreement



should enable the Company to benefit when AAG receives repayments of principal and receives payments of interest from the Company as borrower. The agreement is for 2 years or can be extended subject to mutual agreement between the Company and AAG. The Fund Participation Agreement is governed by, and shall be construed in accordance with, the law of England.

16 DEBENTURES

On 16 August 2004, a subsidiary (Auto Receivables SPV Company Limited) issued 2 series of unsecured long-term debentures, with details as follows:

Series 1: "Debentures, amortizing with cash flow from rights over hire-purchase contracts receivables" of 650,000 units were issued at par value of Baht 1,000 per unit totaling Baht 650 million. The Debentures are for a term of 2 years 5 months, with the fixed interest rate at 4% per annum. The repayment dates of debentures are as follows:

DATE	(in million Baht)
	REPAYMENT AMOUNT
28 October 2004	52
28 January 2005	78
28 April 2005	78
28 July 2005	78
28 October 2005	78
28 January 2006	65
28 April 2006	65
28 July 2006	52
28 October 2006	52
28 January 2007	52
	650

Series 2: "Debentures, amortizing with cash flow from rights over hire-purchase contracts in the order of priority (which is linked to series 1 debentures)" of 150,000 units were issued at par value of Baht 1,000 per unit totaling Baht 150 million. The Debentures have a pass through payment structure with a maturity of four years, will be due on 16 August



2008 with the fixed interest rate at 4.80% per annum. However, the subsidiary may early repay the principal by repaying at the same repayment due dates for series 1 debentures. The repayment amount shall be an amount equal to the Company's cash balance on the first date of the month which interest will be paid, less reserve accounts for tax payment, fees, other expenses, interest expense on debentures, debentures and retention account for repayment of outstanding debt under Asset Sale Agreement for rights over hire-purchase contracts (see Note 14 (b)) and Baht 10,000. From 1 January 2006 to 22 February 2006 (date of authorization for issue by the directors), Auto Receivables SPV Company Limited has made repayment of series 2 debentures of Baht 13.5 million.

Interest on the said debentures is payable every 3 months. The first interest payment was due and paid on 28 October 2004.

Under the conditions of issuance of the debentures, Auto Receivables SPV Company Limited has to provide reserve accounts for tax payment, fees, other expenses, interest expense on debentures, debentures and retention account for repayment to outstanding debt under Asset Sale Agreement for rights over hire-purchase contracts. However, as at 31 December 2005, the subsidiary has no outstanding debt under Asset Sale Agreement for rights over hire-purchase contracts.

Outstanding balances of debentures as at 31 December were as follows:

(in thousand Baht)						
CONSOLIDATED						
	PORTION DUE WITHIN		PORTION DUE OVER		TOTAL	
	ONE YEAR		ONE YEAR			
	2005	2004	2005	2004	2005	2004
Debenture: series 1	234,000	312,000	52,000	286,000	286,000	598,000
Debenture: series 2	13,500	-	-	139,950	13,500	139,950
Total	247,500	312,000	52,000	425,950	299,500	737,950

**17 DEBT UNDER REPLACEMENT RESTRUCTURING AGREEMENT**

(Unit: in thousand)		
CONSOLIDATED/THE COMPANY		
	FOREIGN	
	CURRENCY	BAHT
31 December 2005		
Debt under Replacement Restructuring Agreement consists of 2 currencies:		
U.S. Dollar	18,683	770,016
Thai Baht		341,068
Total		1,111,084
Less portion due within one year		(206,999)
Net		904,085

31 December 2004		
Debt under Replacement Restructuring Agreement consists of 2 currencies:		
U.S. Dollar	18,806	762,435
Thai Baht		355,173
Total		1,117,608
Less portion due within one year		(54,620)
Net		1,062,988

The balances of debt under Replacement Restructuring Agreement (RRA) dated 21 March 2003 had the significant details as follows:

- a) The loan has a period of 7 years (starting from 1 January 2003 until 31 December 2009) with 3 years grace period of principal repayment. The principal repayment is payable semi-annually commencing on 31 December 2005.



b) The interest is payable on a quarterly basis at the rates as follows:

LOAN	PERIOD BETWEEN	PERIOD BETWEEN	PERIOD BETWEEN
	2003 - 2005	2006 - 2007	2008 - 2009
Baht 355.2 million	Fixed at 4% MLR - 3.5%	MLR - 2.0%	MLR - 1.0% or MLR - 2.0%*
U.S. Dollars 18.8 million	LIBOR + 0.625%	LIBOR + 1.5%	LIBOR + 2.5% or LIBOR + 1.5%*

* The lenders will receive a maturity fee at the end of the agreement at the rate of 2.5% of the outstanding balance at the beginning of agreement, if the option is chosen.

The Company has paid interest and principal due and payable during 2005 to lenders in accordance with the terms of the RRA, except for those portions of the interest and principal which are due and payable which have been transferred by the former lenders to four parties whom the Company has yet to establish are eligible transferees under the RRA. Presently, the Company has not opened an escrow account into which such interest and principal will be paid pending final resolution with the lenders. The Company does not consider this delay in payment as an event of default under the RRA. Accordingly, principals to such lenders in December 2005 were recorded as part of debt due within one year totaling Baht 37.3 million and interest payable has been accrued in the financial statements at the normal rates prescribed in the RRA, amounting to Baht 21.6 million for the year ended 31 December 2005. If, however, the delay in payment of interest is considered an event of default under the RRA, and the default interest rates are charged, the additional interest expense would be Baht 67,885 for the year ended 31 December 2005.

On 2 December 2005, the Company entered into a Fund Participation Agreement with Asian Advisory Group Pte Ltd (AAG) (Note 15), so as to have the participation in the rights over part of the Company's debt under the Replacement Restructuring Agreement. Under



the Fund Participation Agreement, the Company has participated U.S. Dollars 2.94 million (consisted of principal of U.S. Dollars 2.84 million and interest payable of U.S. Dollars 0.1 million) or the equivalent at prevailing exchange rate at the end of the year of Baht 120.4 million (with face value of U.S. Dollars 4.5 million) for the Company's debt that AAG bought from a creditor. It is not presently certain that entering into the Fund Participation Agreement is in accordance with the terms of the RRA.

Under the RRA, the Company must comply with certain conditions, such as the balance of Debt Service Reserve Account is an amount in Baht at least equal to twice aggregated amount of interest (as at 31 December 2004 this was secured by the pledge of promissory notes of approximately Baht 15 million (see Note 14 (a)), ratio of borrowings to shareholders' equity shall not exceed 7:1, the Company can pay out dividend from the Company's operations starting from the year 2006, at the rate not exceeding 30% of its net profit, etc. The RRA is governed by, and shall be construed in accordance with, the law of England.

As at 31 December 2005 and 2004, the Company hedged its foreign exchange risk by entering into a forward purchase contract with the Thai Military Bank Public Company Limited amounting to U.S. Dollars 10.7 million, which was secured by the pledge of a promissory note of Baht 65 million (see Note 14 (a)).

18 LIABILITIES UNDER HIRE-PURCHASE CONTRACTS

	(in thousand Baht)			
	CONSOLIDATED			
	PORTION DUE WITHIN ONE YEAR		PORTION DUE OVER ONE YEAR	
	2005	2004	2005	2004
Liabilities under hire-purchase contracts	4,381	14,779	336	4,974
Less deferred interest expense	(118)	(778)	(7)	(131)
Net	4,263	14,001	329	4,843

**19 SHARE CAPITAL**

	(in baht)	(in thousand)			
		2005		2004	
	PER VALUE	NUMBER	BAHT	NUMBER	BAHT
Authorised					
At 1 January					
- ordinary shares	10	60,000	600,000	60,000	600,000
At 31 December					
- ordinary shares	10	60,000	600,000	60,000	600,000

Issued and fully paid

At 1 January					
- ordinary shares	10	60,000	600,000	60,000	600,000
At 31 December					
- ordinary shares	10	60,000	600,000	60,000	600,000

20 LEGAL RESERVE

The legal reserve is set up under the provisions of Section 116 of the Public Companies Act B.E. 2535 Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account ("legal reserve"), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

21 SEGMENT INFORMATION

The Group operates in a single business segment, which is the hire-purchase and leasing business, and in a single geographical area, namely Thailand.

22 PROVIDENT FUND

The Group has established contributory provident funds for its employees. Membership to the funds is on a voluntary basis. Contributions are made monthly by the employees



at 5% of their basic salaries and the Group contributes at percentages based on the number of years employed. The provident funds are registered with the Ministry of Finance as juristic entities and are managed by a licensed Fund Manager.

23 OTHER INCOME

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Indemnification income	12,642	8,223	12,632	8,179
Service income from insurance division	4,251	5,632	4,251	5,632
Late fine income	3,908	4,029	2,768	3,645
Income from litigation receivables previously written off	3,081	-	2,703	-
Service income from register division	1,615	1,337	1,615	1,337
Others	3,504	17,368	1,885	3,756
Total	29,001	36,589	25,854	22,549

24 OPERATING AND ADMINISTRATIVE EXPENSES

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Salaries and wages	46,895	43,354	44,962	41,641
Loss from sale of properties foreclosed - hire purchase business	15,984	8,748	15,984	8,748
Commission expenses	10,760	10,065	10,673	10,227
Rental	5,870	5,351	5,677	5,159
Depreciation	25,600	44,014	5,180	5,942
Expense on bond issuance	500	10,523	500	10,523
Loss (gain) from sale of properties foreclosed - leased business	(2,091)	38,798	(2,091)	38,798
Others	49,731	50,412	33,621	35,422
Total	153,249	211,265	114,506	156,460



25 DIRECTORS' REMUNERATION

Directors' remuneration is paid to the Company's directors in accordance with Section 90 of the Public Companies Act B.E.2535 (exclusive of salaries and benefits payable to executive directors). This comprises of directors' fee, gratuities and benefits as approved by Ordinary General Shareholders' Meeting.

26 INCOME TAX EXPENSE

No income tax is payable by the Company for the years ended 31 December 2005 and 2004 because of the utilization of the tax loss carry forwards.

27 BASIC LOSS PER SHARE

The calculation of basic loss per share at 31 December 2005 was based on the loss attributable to ordinary shareholders of Baht 32.2 million (2004: Baht 19.8 million) and the number of shares outstanding throughout the year ended 31 December 2005 of 60 million shares (2004: 60 million shares).

28 FINANCIAL INSTRUMENTS

Financial risk management policies

The Group is exposed to normal business risks from changes in market interest rates and currency exchange rates and from non-performance of contractual obligations by counterparties. The Group does not issue derivative financial instruments for speculative or trading purposes.

Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows.



As at 31 December 2005 and 2004, the Company has financial assets and liabilities exposed to interest rate price risk and interest rate cash flow risk as follows:

(in thousand Baht)						
	FIXED		FLOATING		FIXED AVERAGE	
	INTEREST RATE		INTEREST RATE		INTEREST RATE	
	2005	2004	2005	2004	(%)	(%)
Consolidated						
Financial assets						
Cash and cash equivalents						
Cash in banks	-	-	79,478	114,927	-	-
Promissory notes	155,000	200,105	-	-	3.41	1.57
Current investment	-	200,422	-	-	-	1.50
Other long-term investment - Bualuang capital augmented preferred securities fund	-	-	-	20,000	-	-
Restricted investments						
Promissory notes	80,000	80,000	-	-	1.50	1.25
Deposits at banks	611	609	92,281	64,491	0.375	0.375
Bills of exchange	109,897	179,923	-	-	3.10	3.10
Total	345,508	661,059	171,759	199,418		
Financial liabilities						
Debentures	299,500	737,950	-	-	4.04	4.15
Debt under Replacement Restructuring Agreement	267,981	282,085	843,104	835,523	4.00	4.00
Total	567,481	1,020,035	843,104	835,523		



(in thousand Baht)

	FIXED		FLOATING		FIXED AVERAGE	
	INTEREST RATE		INTEREST RATE		INTEREST RATE	
					($\%$)	
	2005	2004	2005	2004	2005	2004
The Company						
Financial assets						
Cash and cash equivalents						
Cash in banks	-	-	49,046	94,413	-	-
Promissory notes	155,000	200,105	-	-	3.41	1.57
Current investment	-	200,422	-	-	-	1.50
Other long-term investment - Bualuang capital augmented preferred securities fund						
	-	-	-	20,000	-	-
Restricted investment						
Promissory notes	80,000	80,000	-	-	1.50	1.25
Total	235,000	480,527	49,046	114,413		
Financial liabilities						
Debt under Replacement Restructuring Agreement						
	267,981	282,085	843,104	835,523	4.00	4.00

All financial assets which had fixed interest rate (except investment in Bualuang capital augmented preferred securities fund which does not specify fixing new interest rate) will be repricing within one year.

**Foreign currency risk**

The Group is exposed to foreign currency risk relating to borrowings which are denominated in foreign currencies. The Group primarily utilized forward exchange contract with maturity date within 1 year to hedge such financial liability denominated in foreign currencies.

As at 31 December 2005 and 2004, the Company has financial assets and financial liabilities exposed to foreign currency risk as follows:

(in thousand Baht)			
CONSOLIDATED/THE COMPANY			
2005		2004	
U.S. DOLLAR	EQUIVALENT IN BAHT	U.S. DOLLAR	EQUIVALENT IN BAHT

Assets

Financial lease contract receivables	234	9,643	334	13,045
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Liabilities

Debt under Replacement Restructuring Agreement	18,683	770,016	18,806	762,435
Accrued interest expense	493	20,318	3	120
Total	19,176	790,334	18,809	762,555

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company as and when they fall due. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis by performing customer credit evaluations.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.



Fair values

The fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Group takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The Group uses the following methods and assumptions in estimating the fair values of financial instruments.

Cash and cash equivalents, trade payables.

The fair values approximate their carrying values due to the relatively short-term maturity of these financial instruments.

Receivables

The book values of receivables after deduction of allowance for doubtful accounts approximate their fair values.

Long-term investment

The long-term investment in Bualuang capital augmented preferred securities fund held as available-for-sale security is stated at fair value.

Debts

Debentures approximate their fair values.

The Company cannot measure reliably the fair value of debts under Replacement Restructuring Agreement. This is because the Company is unable to determine the appropriate discount rate for such debts. However, 76% of debts under Replacement Restructuring Agreement as at 31 December 2005 were floating interest rate loan.



29 COMMITMENTS

a) *Commitments under office rental and service agreements are as follows:*

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Non-cancellable operating lease commitments				
Within 1 year	2,172	6,070	1,961	5,883
After one year but within two years	-	1,961	-	1,961
Total	2,172	8,031	1,961	7,844

b) *Commitments under 4 car rental agreements are as follows:*

	(in thousand Baht)			
	CONSOLIDATED		THE COMPANY	
	2005	2004	2005	2004
Non-cancellable operating lease commitments				
Within 1 year	2,259	3,021	2,145	2,339
After one year but within two years	-	2,259	-	2,145
Total	2,259	5,280	2,145	4,484

30 RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2004 financial statements have been reclassified to conform with the 2005 financial statements presentation.