

**CONTENTS**

<b>G</b> eneral Information	2
<b>R</b> eport of the Board of Directors	4
<b>R</b> eport of the Audit Committee	6
<b>R</b> atio Analysis	7
<b>F</b> ive-Year Summary	8
<b>N</b> ature of Business	9
<b>S</b> hareholders	13
<b>O</b> rganization Chart	14
<b>B</b> oard of Directors	15
<b>M</b> anagement Team	18
<b>M</b> anagement Structure	21
<b>G</b> ood Corporate Governance	26
<b>T</b> ransactions with Related Companies	31
<b>R</b> isk Factors	34
<b>R</b> eport of Responsibility for Financial Statements	38
<b>R</b> evue of Operations and Analysis of Financial Status	39
<b>F</b> inancial Statements	49



## GENERAL INFORMATION

**COMPANY** **Scandinavian Leasing Public Co., Ltd.**

	20 <sup>th</sup> Floor, Two Pacific Place
	142 Sukhumvit Road, Kweang Klongtoey
	Khet Klongtoey, Bangkok 10110
Type of Business	Hire purchase and leasing
Registration No.	0107537002281 (formerly Bor Mor Jor 475)
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
Type of Share	common shares

**COMPANIES OF WHICH SCAN HOLDS SHARED MORE THAN 10%****Scan Transport Service Limited**

	1 <sup>st</sup> Floor, Supalai Place
	179/339 Sukhumvit 39, Sukhumvit Road
	Kweang Klongton Nua, Khet Wattana, Bangkok 10110
Type of Business	Operating lease with maintenance service
Registration No.	0105540053761 (formerly (5) 919/2540)
Telephone	02 6620991-3
Facsimile	02 6620941
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	5,999,993 shares
Proportion of Holding	99.99%
Type of Share	common shares

**SCAN AMC Company Limited**

	20 <sup>th</sup> 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
Registration No.	0105543085361 (formerly (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**

20<sup>th</sup> 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*

Registration No. 0105547060088 (formerly 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

and Back-up Servicer

Servicer

Corporate Manager

Kasikornbank Public Company Limited

Scandinavian Leasing Public Company Limited

Scan Transport Service Limited

#### **OTHER REFERENCES**

##### **SECURITY REGISTRAR**

##### **Thailand Securities Depository Company Limited**

4<sup>th</sup> Floor, The Stock Exchange of Thailand Building  
62 Ratchadapisek Road

Kweang Klongtoey, Khet Klongtoey, Bangkok 10110

Telephone 02 3591200

Facsimile 02 3591262-3

##### **AUDITOR**

##### **Mr. Sophon Permsirivallop**

Certified Public Accountant (Thailand) No. 3182

##### **Ernst & Young Office Limited**

33<sup>rd</sup> Floor, Lake Rajada Office Complex

193/136-137 Rajadapisek Road

Klongtoey, Bangkok 10110

Telephone 02 2640777

Facsimile 02 2640789-90



## REPORT OF THE BOARD OF DIRECTORS

### To the Shareholders

In the latter part of 2006, vehicle sales started slowing down. This slowdown continued to the end of the year, resulting in a 3% decline in total vehicle sales compared with last year, with commercial vehicle sales dropping 5% while passenger car volumes dropped 2%. Hire-purchase and leasing business provided by financial institutions, however, continued to expand in spite of declining sales in the market. Competition for vehicle financing was strong and intensified as the year progressed. In 2006, there were at least two commercial banks that aggressively promoted their vehicle financing business through subsidiary companies, adding competitors to an already crowded market.

Captive leasing companies and leasing / hire-purchase subsidiaries owned by the banks exploited their unlimited sources of funds and their lower funding costs to advantage by offering attractive terms to hire purchase customers with lower interest rates than the smaller independent leasing companies could offer. Scandinavian Leasing Public Company Limited is acutely aware of its funding limitations and higher cost of funds and, like other small leasing companies, found it difficult to acquire profitable business during the year. The Company, therefore, was very cautious in granting credit and rather focused on efficient debt collection, enabling it to boost revenues from reversal of doubtful accounts by 54% over the year before.

At the same time, the Company attempted to manage its cash carefully and by entering into fund participations for USD 9.2 million on August 3, 2006 and for a further Baht 73 million on February 7, 2007. When these two loans reach maturity, these fund participations will benefit the Company to the extent of approximately USD 2.7 million and Baht 21 million respectively.

New business written in 2006 was only Baht 484 million, 53% down from the prior year. From the *Consolidated Financial Statements*, the outstanding Receivables decreased 29% from the previous year to Baht 1,214 million and the Total Assets reduced by 12% to Baht 2,060 million. Interest Income from hire purchase, financing leases and revenue under rental and service contracts which were the Company's main revenues, declined significantly, but revenues from reversal of doubtful accounts and gains from currency exchanges helped reduced the Company's Net Loss to Baht 3 million, a 91% drop from Baht 32 million loss recorded the year before. Shareholders' Equity dropped to Baht 816 million from Baht 819 million in 2005. The Net Book Value per share stood at Baht 13.60, compared to Baht 13.67 in the year before.



The Company made strong efforts to find new funding partners to increase its ability to efficiently operate and expand its main leasing and hire purchase business with an acceptable level of profit but was unable to find any suitable partner. With the current fierce competition in the vehicle financing industry, the Company did not have sufficient funds to maintain its customer base or establish a base in the vehicle financing market for its long-term survival. The Board, therefore, passed a resolution on March 14, 2007, to appoint Brooker Group Public Company Limited as its independent financial advisor to find new core businesses for the Company to add to or to replace its present ones, as well as to offer advice to the Board for consideration in making any decision to change the Company's line of business to add value to the Company in the long run.

The Board would like to express its appreciation for the kind support from its financial creditors, the shareholders and all related parties and to thank the management and the staff for their continued devotion to the performance of their work. We hope to continue to receive cooperation from all parties again in the coming year.

Dr. Panas Simasathien  
Chairman

Mr. Vinit Samritpricha  
Managing Director



## REPORT OF THE AUDIT COMMITTEE

### To the Shareholders,

The Company's Audit Committee comprised three non-executive directors, namely, Dr. Panas Simasathien, Chairman of the Audit Committee, Prof. Dr. Tassadej Arunsmith, and Assoc. Prof. Pises Sethsathira, members of the Audit Committee.

The Audit Committee conducted their duties according to the Audit Committee Charter as approved 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, efficiently, and effectively within the 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 2006, the Audit Committee met five times to review the Company's quarterly financial reports and annual financial reports including the disclosure of transactions with related companies with the Independent Auditor, and discuss with the Management to review 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 best practices of Good Corporate Governance outlined by The Stock Exchange of Thailand for the listed companies 2006 such as facilitating the opportunity for shareholders to propose candidates for directorship and any other issues in advance for consideration in the *Annual General Meeting* in accordance with the equitable treatment of shareholders principle or opening the website as an additional channel for the public to access to the company news and information and for shareholders to place their questions in advance of the AGM.

The Audit Committee also reviewed the Company's financial reports for the year ended December 31, 2006 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 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 or Ms. Vissuta Jariyathanakorn or Mrs. Nonglak Pumnoi of Ernst & Young Office Limited as the Company's Independent Auditor for the financial year 2007, subject to the approval of shareholders at the Annual General Meeting.

(Dr. Panas Simasathien)  
Chairman of the Audit Committee  
February 21, 2007



## RATIO ANALYSIS

	2006	2005	2004
<b>Profitability Ratio</b>			
Operating income margin (operating lease)	(9.3%)	5.9%	3.2%
Interest Income Margin	6.5%	6.9%	4.7%
Interest Expense Margin	3.5%	5.0%	2.8%
Interest Margin	3.0%	1.9%	1.9%
Net Profit Margin	(1.4%)	(15.5%)	(8.1%)
Return on Equity	(0.3%)	(3.9%)	(2.3%)
<b>Efficiency Ratio</b>			
Return on Assets	(0.1%)	(1.2%)	(0.8%)
Asset Turnover	9.0%	8.0%	9.8%
<b>Financial Ratio</b>			
Debt to Equity	1.52	1.87	2.39
Receivables to Debt	1.10	1.10	1.28
Dividend Ratio	0.0%	0.0%	0.0%
<b>Per Share Data &amp; Growth Ratio</b>			
<b>Per Share Data</b>			
Book Value	13.60	13.65	14.19
Earning per Share	(0.05)	(0.54)	(0.33)
Dividend Payout	0.00	0.00	0.00
<b>Growth Ratio</b>			
Total Assets	(12.3%)	(18.5%)	35.0%
Total Liability	(18.6%)	(24.7%)	60.7%
Income from Sales and Services	(4.6%)	(15.4%)	(12.7%)
Operating Costs & Administrative Expenses	(19.2%)	(27.0%)	10.6%
Net Income (Loss)	91.5%	(62.5%)	(134.2%)



## FIVE-YEAR SUMMARY

(unit : thousand baht)

	2006	2005	2004	2003	2002
<b>FINANCIAL POSITION</b>					
<b>BALANCE SHEET</b>					
Cash on hand and in banks & Short-Term Investments	300,672	234,478	516,235	84,233	380,309
Receivables – Net from Unearned Interest Income	1,131,587	1,671,611	1,966,175	1,833,017	1,900,768
Allowance for Doubtful Accounts	(27,725)	(53,337)	(80,083)	(106,995)	(286,820)
Receivables – net	1,103,862	1,618,274	1,886,092	1,726,022	1,613,948
Allowance for Doubtful Accounts / Receivables – net from unearned interest income	2.45%	3.19%	4.07%	5.84%	15.09%
Total Assets	2,059,789	2,347,610	2,882,185	2,135,244	2,250,784
Short-Term Debt and Long-Term Debt	1,102,725	1,410,585	1,855,558	1,106,858	1,168,078
Shareholders' Investment	816,275	819,026	851,273	871,113	813,120
<b>REVENUES AND EXPENSES</b>					
Income from hire-purchase contracts	66,607	71,224	72,224	114,034	111,096
Income from financial lease contracts	8,008	10,747	12,697	18,202	23,728
Income from rights over hire-purchase contracts	13,333	38,633	33,063	–	–
Income from rental and service	10,766	27,781	49,809	70,746	75,672
Interest income & others	41,899	41,356	44,687	31,722	69,724
Reversal of doubtful accounts / (doubtful accounts)	27,985	18,225	29,030	18,374	83,367
<b>Total Revenue</b>	<b>168,598</b>	<b>207,966</b>	<b>241,510</b>	<b>253,078</b>	<b>363,587</b>
Interest Expenses and Financial Charges	73,382	67,203	44,865	33,157	72,403
Operating Costs and Administrative Expenses	127,447	156,848	214,397	195,434	211,574
Loss/(Gain) on exchange rate	(29,761)	15,175	(4,224)	(28,523)	25,885
<b>Income/(Loss) before Income Tax &amp; Extra Ordinary Item</b>	<b>(2,470)</b>	<b>(31,260)</b>	<b>(13,528)</b>	<b>53,010</b>	<b>53,725</b>
Extra Ordinary Item	–	–	–	4,982	–
Income tax	281	987	6,312	–	31,068
<b>Net Income / (Loss)</b>	<b>(2,751)</b>	<b>(32,247)</b>	<b>(19,840)</b>	<b>57,992</b>	<b>22,657</b>
<b>OPERATIONS</b>					
<b>NEW BUSINESS ACQUIRED – HIRE PURCHASE</b>					
Receivables	399,733	1,022,937	1,628,146	1,533,111	1,457,685
Equipment Cost	353,114	937,216	1,490,142	1,371,795	1,332,003
<b>NEW BUSINESS ACQUIRED – FINANCIAL LEASE</b>					
Receivables	62,730	73,299	119,794	108,054	116,350
Equipment Cost	54,577	65,370	105,838	95,942	101,586
<b>NEW BUSINESS ACQUIRED – FLOOR PLAN</b>	<b>76,586</b>	<b>28,707</b>	<b>81,914</b>	<b>46,972</b>	<b>22,043</b>
NUMBER OF EMPLOYEES	81	83	80	82	88



## NATURE OF BUSINESS

### Scandinavian Leasing Public Company Limited (SCAN)

In the year 2006, the Company offered hire-purchase, leasing and floor-plan financing in the amount of Baht 484 million, down 53% from the previous; detailed as follows:

Unit : Million Baht	2006	2005	Change (%)
Hire purchase	353	937	(62.3)
Financial Lease	55	65	(15.4)
Floor Plan Financing	76	28	171.3
<b>Total</b>	<b>484</b>	<b>1,030</b>	<b>(53)</b>

The sharp decline of the new business written in 2006 mainly resulted from its limited fund as well as the high funding cost in comparison with its competitors. Thus the Company had to cautiously operate its business by choosing to finance new commercial cars to avoid the fierce competition in the low yield financing of passenger cars, and focused on new cars to lessen the problem of bad credit quality.

### Market and Competition Situation

The Company's new financing turnover in the year 2006 compared with the total market was a very small amount. However, the Company readily had the human resource as well as a working system to compete in the market as soon as it could raise the fund.

At the present market competition, the operators backed by commercial banks, which had the advantages of a wider customer base, fund raising and a lower funding cost, could offer a credit term with 0.3–0.5% lower interest rates than those without the support of the commercial banks, thus affecting a low rate of return that small business operators were unable to operate their businesses. Consequently, those who could survive had to possess a high volume of business written and a good risk management system.


### Scan Transport Service Limited (STSL)

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

The performance in 2006 could be summarized as follows:

1. Total assets of Baht 52 million dropped from Baht 54 million of last year, comprised
  - 1.1 Cash and cash equivalents amounting to Baht 37 million or 71% of the total assets, up Baht 9 million from the prior year, derived from lease collection.
  - 1.2 Leased cars and replacement cars in the amount of Baht 3 million, an 86% decrease from Baht 22 million of 2005. This was because those leased cars were sold when the leases expired. The Company currently had 14 operating lease contracts left in total, valued at Baht 2 million.



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- 1.3 The short-term loan to *SMC Motors*. In the course of the year, the Company offered loans totaling Baht 20 million, and was partly repaid. Presently the balance stood at Baht 10 million with one-year term at the MLR (of four commercial banks in average) plus 0.5% and to be paid monthly.
  - 1.4 Cars for sale in the amount of Baht 1 million which were repossessed from the customers at the end of the operating leases.
  2. Total liabilities of Baht 1 million was down from Baht 8 million of last year due to the decreasing of hire-purchase payables.
  3. The Company's total revenues of Baht 23 million, compared to Baht 33 millions of the prior year, dropped by 29%, comprised
    - 3.1 A rental income in the amount of Baht 9 million, compared to Baht 26 million of the year before, declined 65%, due to the decrease of receivables.
    - 3.2 Profit from sales of leased cars was Baht 12 million, compared to Baht 5 million of last year, resulting from a selling price that gave higher gain from the cars sold.
    - 3.3 Interest income from savings accounts and loans amounted to Baht 1 million, compared to Baht 0.03 million, due to the increasing market interest from the previous year as well as a better rate of return from the short-term loan to *SMC Motors* which was higher than the savings interest rates.
  4. Operating expenses were Baht 17 million, compared to Baht 42 million of the year before, down 58%, comprising the depreciation of leased cars as well as other related expenses, such as maintenance fee, insurance premium, registration fees, etc, which declined by 54%, plus an additional amount of Baht 7 million from the write-off deferred income tax of this year.
  5. The Company's net profit of Baht 6 million or Baht 1.0 per share, compared to its Baht 0.14 loss in the prior year, increased the book value per share to Baht 8.50.

### Scan AMC Company Limited (SAMC)

SAMC was established with the objective to operate asset management by buying back the debts from the creditor banks of *SCAN* at a discount rate from 2000 to 2002. 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 (1.0) per share.

### Auto Receivables SPV Company Limited (ARSPV)

ARSPV was incorporated on April 30, 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 and fully paid up. The total 1,000 shares consisted of 260 common shares and 740 preferred shares, of which *SCAN* was a 100% shareholder of the common shares. In 2004, the Company offered to sell bonds to 13 kinds of investors in accordance with the *Notification of the Securities Exchange Commission numbered 44/2543*, and used this fund to purchase the rights on hire-purchase contracts from *SCAN*, which spent the amount as an additional working fund in its hire-purchase business.

The performance in 2006 could be summarized as follows:

1. Total asset in the amount of Baht 259 million, compared to Baht 515 million in the year before, declined by 50%, comprised
  - 1.1 Restricted fund amounting to Baht 178 million, compared to Baht 202 million in 2005, was reserved mainly for payment of taxes, fees, other expenses, bond interest and its principal.
  - 1.2 The rights over hire-purchase contracts, net from unearned interest and allowance for doubtful accounts were Baht 72 million, compared to Baht 304 million of last year. At the end of 2006, the balance of the said rights was 813 contracts, down from 1,837 contracts in the previous year because the securitization project was close to its end.
2. The Company used the same measure as *SCAN* to estimate the allowance for doubtful accounts, and the amount of Baht 1 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 677 contracts. Their book values net of unearned interest income were Baht 57 million, or 78% of the rights.
3. The Company had subordinated loan of Baht 200 million from *SCAN*. The loan will be due when the Company fully pays back the bonds and other expenses related to the securitization.
4. The remaining balance of the bonds stood at Baht 52 million. The final due would be in January 2007.
5. The Company's total revenues were Baht 16 million, mainly derived from the yield of the rights over hire-purchase receivables which amounted to Baht 13 million and Baht 1 million interest income from an investment.
6. The total expenses were Baht 22 million, of which Baht 17 million or 77% was interest expenses of subordinated loan and bonds.
7. The Company had net loss of Baht 7 million, a part of which was incurred by the write-off deferred income tax in the amount of Baht 2 million, since the Company could no longer utilized as tax credit in the future.
8. Loss of Baht 26,170 per ordinary share reduced the book value to Baht 13,886 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 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

Unit : Million Baht

Type of Business	Company	Shares Held	Profit					
			2004	%	2005	%	2006	%
Hire purchase Lease	Scandinavian Leasing Public Company Limited	100.00	74	44	72	49	67	69
Finance Lease	Scandinavian Leasing Public Company Limited	100.00	13	8	11	7	8	8
Operating Lease	Scan Transport Service Limited	99.99	48	28	26	18	9	9
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	33	20	39	26	13	14
<b>Total</b>			<b>168</b>	<b>100</b>	<b>148</b>	<b>100</b>	<b>97</b>	<b>100</b>



# SHAREHOLDERS

January 15, 2007

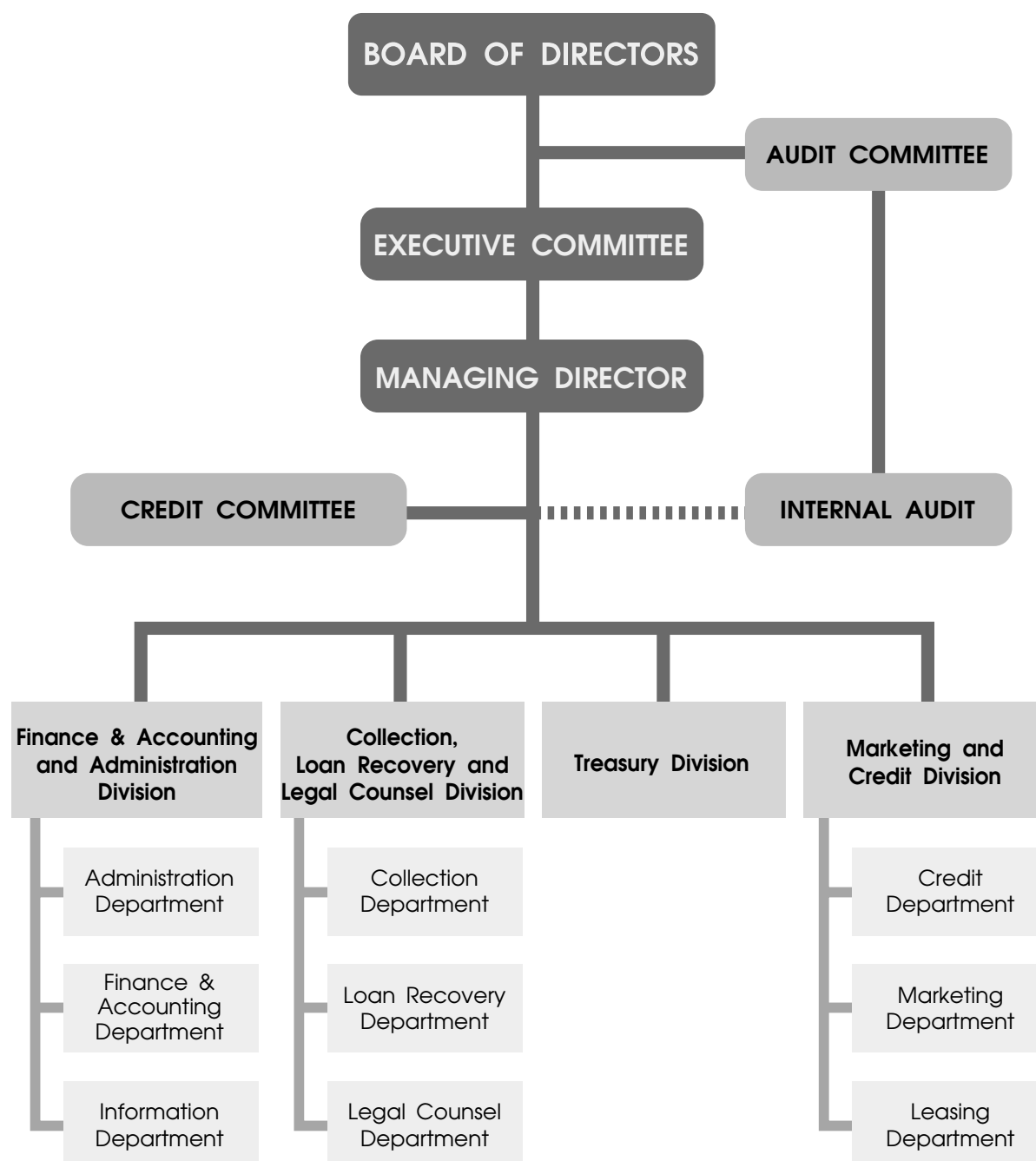
	Names	No. of Share	%
1.	SMC Motor Corporation Company Limited <sup>(1)</sup>	29,940,002	49.90
2.	Mr. Somsak Amornrattanachai	6,750,900	11.25
3.	Swedish Motors Parts & Supplies Company Limited	3,562,717	5.94
4.	Miss Nuchnapa Wongcharoensin	2,451,600	4.09
5.	Swene Holding B.V.	1,849,970	3.08
6.	Mr. Manat Hemsathapad	831,200	1.39
7.	Thai NVDR Co.,Ltd.	647,489	1.08
8.	Mrs. Boonma Jingjan	469,900	0.78
9.	Thailand Securities Depository Company Limited (For Depositors)	414,600	0.69
10.	Mr. Vichai Siripitikul	409,800	0.68
11.	Other Shareholders	12,671,822	21.12
	<b>Total</b>	<b>60,000,000</b>	<b>100.00</b>

<sup>(1)</sup> Major Shareholders of SMC Motors Corporation Public Company Limited

1.	NRC Business Company	58.18%
2.	Thailand Securities Depository Company Limited (For Thai Depositors)	21.19%
3.	Thailand Securities Depository Company Limited (For Foreign Depositors)	15.48%
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  
Directors Certification Program 2/2000, Thai Institute of Directors Association

**Other positions :** Executive Chairman, *Saha Union Public Co., Ltd.*  
Executive Chairman, *Siam Piwat Co., Ltd.*  
Chairman, *National Economic & Social Development Board*  
Chairman, *The Council of State Group 12, The Council of State*

**Number of Shares Increased (Decreased) in 2006 :**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, *SMC Motors Corporation Public Co., Ltd.*  
(formerly *Swedish Motors Corporation Public Co., Ltd.*)  
Director, *NRC Business Co., Ltd.*

**Number of Shares Increased (Decreased) in 2006 :**No change

### Mr. Ekamol Kiriwat

Director and Chairman of Executive Committee (Resigned on October 18, 2006)

**Education :** M.B.A (Finance), Harvard Graduate School of Business Administration, USA

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

**Number of Shares Increased (Decreased) in 2006 :**No change



## Mr. Vinit Samritpricha

Managing Director and Executive Committee

**Education :** Master in Business Administration, Indiana University of Pennsylvania., USA  
Directors Certification Program 20/2002, Thai Institute of Directors Association

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

**Number of Shares Increased (Decreased) in 2006 :**No change

## Mr. Mats Anders Lundqvist

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 2006 :**No change

## Mr. Prasert Patradhilok

Director and Executive Committee

**Education :** Master in Business Administration (Finance), Chulalongkorn University  
Directors Certification Program 20/2002, Thai Institute of Directors Association

**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.*  
Chairman of Audit Committee, *Fancy Wood Industries Public Co., Ltd.*

**Number of Shares Increased (Decreased) in 2006 :**No change



## Prof. Dr. Tassadej Arunsmith

Independent Director and Audit Committee

**Education :** Ph.D. in Management Studies, University of Oxford, England  
Directors Certification Program (English Program) 57/2005,  
Thai Institute of Directors Association

**Other positions :** Chairman, *Graduate Studies in Marketing*, Thammasat Business School,  
Thammasat University

**Number of Shares Increased (Decreased) in 2006 :**No change

## Assoc. Prof. Pises Sethsathira

Independent Director and Audit Committee

**Education :** Master of Laws, Columbia University, USA  
Barrister-at-Law, the Thai-Bar Association  
Directors Accreditation Program, Thai Institute of Directors Association

**Other positions :** Advisor, *Association of Securities Companies*  
Advisor, *Association of Finance Companies*  
Legal Committee, *The Federation of Thai Industries*  
Managing Director, *Trinity Advisory 2001 Co., Ltd.*

**Number of Shares Increased (Decreased) in 2006 :**No change

## Mr. Ralf Mikael Peter Wahn

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 2006 :**No change

**MANAGEMENT TEAM****Mr. Vinit Samritpricha**

Managing Director and Member of Executive Committee

**Education :** Master in Business Administration, Indiana University of Pennsylvania, USA  
Directors Certification Program 20/2002, Thai Institute of Directors Association

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

**Number of Shares Increased (Decreased) in 2006 :**No change

**Ms. Puangthip Pinsuk**

Assistant Managing Director

**Education :** Bachelor of Arts (Accounting), Bangkok University  
Directors Certification Program 69/2006, Thai Institute of Directors Association

**Other positions :** Director, *Scan AMC Co., Ltd.*  
Director, *Scan Transport Service Ltd.*  
Director, *Prolific Capital Co., Ltd.*  
Director, *SMC Motors Corporation Pcl.* (Resigned on 6 October 2006)  
(formerly *Swedish Motors Corporation Public Co., Ltd.*)  
Director, *NRC Business Co., Ltd.*

**Number of Shares Increased (Decreased) in 2006 :**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 2006 :**No change

### **Mr. Kirkchai Chaitham**

General Manager of Collection, Loan Recovery and Legal Counsel

**Education :** Master of Business Administration, Ramkhamhaeng University  
Master of Public Administration, Ramkhamhaeng University

**Other positions :** Director, *Prolific Capital Co., Ltd.*  
Director and Secretary, *Thai Hire-Purchase Association*

**Number of Shares Increased (Decreased) in 2006 :**No change

### **Mr. Athipat Cantaulis**

Credit Manager

**Education :** Master in Business Administration, Ramkhamhaeng University

**Other positions :** -

**Number of Shares Increased (Decreased) in 2006 :**No change

### **Mr. Charn Klomsiri** (Retired on November 30, 2006)

Marketing Manager (1)

**Education :** Bachelor in Law, Thammasat University

**Other positions :** -

**Number of Shares Increased (Decreased) in 2006 :**No change

### **Ms. Poonsri Wangsundaraporn**

Finance & Accounting Manager

**Education :** Master in Business Administration, The National Institute of Development Administration

**Other positions :** Director, *Prolific Capital Co., Ltd.*

**Number of Shares Increased (Decreased) in 2006 :**No change



### **Mr. Kritpetch Srisuntisuk**

Legal Counsel Manager

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

**Other positions :** -

**Number of Shares Increased (Decreased) in 2006 :**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 2006 :**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), Ramkamhaeng University  
Certified Public Accountant (Thailand)

**Other positions :** -

**Number of Shares Increased (Decreased) in 2006 :**No change

## MANAGEMENT STRUCTURE

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 Lundqvist     | Director and Executive Committee                               |
| 6. Mr. Prasert Patradhilok       | Director and Executive Committee                               |
| 7. Prof. 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   |

\* resigned from both positions on October 18, 2006.

### Secretary to the Board

Mr. Mats Anders Lundqvist

### 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), and his replacement would only stay 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 Wahn. Two of the said three members were to co-sign together with the Company seal, or one of these members: Mr. Simon E.Bonython, Mr. Vinit Samritpricha, Mr. Ralf Mikael Peter Wahn, to co-sign with Mr. Mats Anders Lundqvist 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	6	6
Mr. Simon E. Bonython	3	6
Mr. Ekamol Kiriwat	4*	4*
Mr. Vinit Samritpricha	6	6
Mr. Mats Anders Lundqvist	6	6
Mr. Prasert Patradhilok	6	6
Prof. Dr. Tassadej Arunsmith	4	6
Asso. Prof. Pises Sethsathira	6	6
Mr. Ralf Mikael Peter Wahn	6	6

\* While still in position

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     | Chairman of Executive Committee |
| 3. Mr. Vinit Samritpricha    |                                 |
| 4. Mr. Mats Anders Lundqvist |                                 |
| 5. Mr. Prasert Patradhilok   |                                 |

\*Resigned on October 18, 2006

**Secretary to the Executive Committee**      Mr. Mats Anders Lundqvist

### **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.
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	9*	9*
Mr. Simon E. Bonython	10	12
Mr. Vinit Samritpricha	12	12
Mr. Mats Anders Lundqvist	12	12
Mr. Prasert Patradhlok	12	12

\*While still in position

#### Audit Committee (Three Members)

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

#### 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 production and the disclosed information in the Company's financial statements 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.
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 Audit Committee	Number of attendance	Number of meeting
Dr. Panas Simasathien	5	5
Prof. Dr. Tassadej Arunsmith	3*	3*
Asso. Prof. Pises Sethsathira	5	5

**Remark: The Independent Auditor attended the meeting with the Audit Committee once - 1/2006.**

\* Being away as Visiting Professor in Strategie Marketing at Michigan State University, USA, from August to December 2006.

## 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.

### Directors and the Management Remuneration

Position	Person	Type	Remuneration in Cash	Other Remuneration
Director	8	Meeting fee and remuneration	Baht 3.09 Million	-
Management	10	Salary and Bonus	Baht 22.89 Million	-

## Meeting Fees and Remuneration for Director in 2006

1.	Dr. Panas Simasathien	570,000.00
2.	Mr. Ekamol Kiriwat	331,000.00
3.	Mr. Simon E. Bonython	343,000.00
4.	Mr. Mats Anders Lundqvist	661,000.00
5.	Mr. Prasert Patradhilok	391,000.00
6.	Prof. Dr. Tassadej Arunsmith	271,000.00
7.	Asso. Prof. Pises Sethsathira	295,000.00
8.	Mr. Ralf Mikael Peter Wahrn	235,000.00
	<b>Total</b>	<b>3,097,000.00</b>



## GOOD CORPORATE GOVERNANCE

### 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 in 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.

To ensure the efficiency, transparency and verification of the Company's application of good corporate governance which would build confidence and trust to its shareholders, investors, stakeholders and all related parties, its good governance policy was, by the resolution of the Company's 6/2006 Board meeting on August 9, 2006, to be improved in accordance with the Stock Exchange of Thailand's direction divided into five sections:

1. To oversee the shareholders' right in receiving information and activities of the Company or to facilitate them to use their right to participate and fully voice their opinion in the meeting. And to add another information channel for the shareholders, the Company opened a new Web site, [www.scanleasing.co.th](http://www.scanleasing.co.th) to make known the minutes of the meeting before document delivery as well as, for the shareholders, to send in questions ahead of the meeting day.
2. To equally facilitate its shareholders to submit additional minutes ahead of time, to recommend a candidate director before the meeting date in accordance with the resolution of the Company's 8/2006 Board meeting on December 15, 2006, details of which can be seen at [www.scanleasing.co.th](http://www.scanleasing.co.th).
3. To oversee and enhance the roles of the stakeholders, i.e., customers, employees, business partners, shareholders, investors, creditors, the community in which the Company was located, the society, the Government, including its competitors and independent auditor, that they were treated in compliance with the related laws.
4. To disclose accurately, completely, timely and transparently, all crucial information related to the Company with easy access, equality, and validity, including the roles and duties of the Committee and Sub-Committee and their opinion.
5. The responsibilities of the Board of Directors regarding the governance to maximize the Company's benefit comprising:
  - 5.1 The structure set-up of the Board in accordance with the code of good governance, e.g., to have at least one third of independent directors in the committee and to clearly state the working term of each member.



- 5.2 The establishing of good governance policy as well as the business ethics in writing so that the committees, the management and all staff can understand and adhere to in their performance.
- 5.3 The self-assessment form to improve one's performance and to be used as standard method for performance comparison
- 5.4 The remuneration of the directors that can be compared with the standard norm in the industry, according to experiences, roles, responsibilities, including the worth expected from each director.
- 5.5 The promoting and facilitation for training and education to all parties involving the governance of the Company so that the work performance can be improved steadily.

### **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 appropriately receive their compensation and fringe benefit from their work and is continually trained for development.
4. Overseeing that those who have business relation with the Company, such as its business partners, 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 Audit 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 the SET, that is to report their holdings of the Company's stocks as well as each sale and purchase to the 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 the 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 and other matters
2. The Securities and Exchange Commission
3. The Ministry of Commerce
4. One-on-one meeting
5. Direct mailing to the shareholders
6. [www.scanleasing.co.th](http://www.scanleasing.co.th)

The Company set up an Investor Relations unit under Finance & Accounting and Administration Division to efficiently provide accurate information to which investors, analysts, shareholders could contact directly at phone number 02 6532533-49 ext. 113, 178 or e-mail to [investor-relations@scanleasing.co.th](mailto:investor-relations@scanleasing.co.th).

## TRANSACTIONS WITH RELATED COMPANIES

The Company had transactions with four related companies, i.e., *SMC Motors Public Company Limited (SMC)*, *Scan Transport Service Limited (STSL)* and *Scan AMC Company Limited (SAMC)*, and *Auto Receivables SPV (ARSPV)*. These relations were incurred from related shares-holding and common directors. The transactions 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 or as agreed upon (if no market price applicable) which complied with the Company's standard rules and regulations as well as the good corporate governance and without conflict of interests.

### Summary of the Relations between Companies

Company	Shares Held	Relationship	Nature of Business	Related Transactions	Terms and Pricing Policy
SMC Motors Corporation Public Company Limited	29.94 million shares (Percentage of holding 49.90%)	The major shareholder. Its Executives were 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

Details of the related transactions and the outstanding balance throughout the fiscal year are as follows

#### 1. SMC Motors Public Company Limited

Nature of Transaction	Value	Needs and Rationales
Scan Transport Service Limited granted short-term loans	Principal of Baht 10 million The interest rate is MLR (of four commercial banks in average) plus 0.5%, paid monthly for one year.	To use as cash flow for business operation and <i>STSL</i> would gain an appropriate yield, compared with the savings interest rates. During the year <i>SMC</i> paid interests punctually and partially repaid its principal. At year end, the remaining loan stood at Baht 10 million (from the original amount of Baht 20 million)  Interest income in 2006 was Baht 1.2 million.
The Company offered floor-plan financing	Baht 4.9 million	Terms are in accordance with normal business practice and market prices.  During the course of year, credit-granting was in the amount of Baht 12.9 million.
Creditors and debtors	Baht 0.2 million	As in the normal course of business  Trade account payables were car maintenance cost and receivables were interests not yet due from floor-plan financing

#### 2. Scan Transport Service Limited (STSL)

Nature of Transaction	Value	Needs and Rationales
Hire-purchase	Baht 0.3 million	Terms are in accordance with normal business practice and market prices.  Currently remaining receivables were 11 contracts and the Company's interest income in 2006 amounted to Baht 0.1 million.
Service fees	Baht 1.4 million	<i>STSL</i> stopped its business expansion but still followed up its bill collection from operating contracts as well as offered maintenance and car replacement services. The Company thus acted as its consultant in the said matters



### 3. Scan AMC Company Limited (SAMC)

Nature of Transaction	Value	Needs and Rationales
The Company granted short-term loan which was provided full allowance for doubtful account for the amount.	Baht 11.6 million	As a loan for its operating costs. Currently <i>SAMC</i> had no other cost burden apart from interest fees.  The Company's interest income in 2006 was Baht 0.6 million.
Loan Interest payables and service fees which the Company provided full allowance for doubtful account of these amounts.		As interest for the Company's short-term loan including management fees for assets invested by <i>SAMC</i> which had already expired in 2003.

### 4. Auto Receivables SPV Company Limited (ARSPV)

Nature of Transaction	Value	Needs and Rationales
The Company granted a subordinated long-term bridging loan. The Company would have its loan back only when the bonds, the costs and other fees related to this securitization plan were totally paid up by <i>ARSPV</i> .	Principal in the amount of Baht 200 million at 5.5 interest rate per year, paid every three months and the repayment of its principal in four years.	As a loan in accordance with the securitization project that <i>ARSPV</i> used it to pay the remaining to the Company for its assigned rights of the Company's hire-purchase contracts of which the Company reserved the allowance for doubtful account in the amount of Baht 1.2 million based on the quality of the rights which would affect the loan repayment at the of the plan.  The Company earned interest income in the amount of Baht 11 million.
Receivables	Baht 3.0 million	As overdue interest from the above loan amounted to Baht 1.9 million, and Baht 1.1 million was an additional fee apart from hire-purchase instalments received by <i>ARSPV</i> to repay to the Company.
Payables	Baht 7.5 million	As the rights of claim of non-performing receivables that <i>ARSPV</i> had submitted to the Company to file a suit and repossessed the cars which was an overdue amount the Company had to pay to <i>ARSPV</i>
Service income	Baht 3.0 million	As a fee for servicing agreement to collect hire purchase receivables of the rights of claim as well as to provide other related functions.



## RISK FACTORS

### Risk from Market factors

1. Risk in business operation.

The interest rates in the market are on the down trend whilst the Company's funding cost is still high, resulting in the shrinking of profit and size of business for the Company. Customers with good credit and high down payment choose to use the services of those financing companies affiliated with the banks, due to their lower hire purchase interests while the small business operators will have customers with low down payment and high interest rates which might pose higher risk.

As a small business operator, the Company has to prevent the risk by setting up a thorough inspection, emphasizing credit granting to old customers with good record, and providing leasing to commercial vehicles that give higher yields than passenger cars.

2. Risk due to the slackening economy.

The declining consumption of the private sector might affect those hire purchase customers who use the vehicles to deliver consumer goods, for when their works decrease, their incomes might not be enough to cover their hire purchase instalments.

To prevent risk from the said economy, the Company will have to spread out their credit-granting into several business sectors. As for those in transportation for consumer products, the Company will choose old customers with good payment record and limit the amounts of credit exposure.

### Risk from Impairment of Hire-purchase Cars

The Company not only gives importance to the quality of the receivables 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 popularity among domestic consumers.

The levels of impairment risk between granting financing 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. Thus the risk from used car is higher. Without knowledgeable staff to inspect 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 instalments as targeted, it might create a problem to its working capital. Currently the Company has used car receivables in the amount of 15% of the total figure.

## Risk from Debt Collection

After the issuance of *Credit Information Business Act B.E. 2545* and the establishment of *National Credit Bureau Co., Ltd.* (NCB) to collect and process data of customers seeking financing, the credit approval has been processed with efficiency, the debt quality has become better and the non-performing accounts have declined. And since the said Act was put to action, the Company has been a member of *NCB* and has inspected each and every hire purchase customer's credit information with *NCB* for additional screening of those who apply for credit apart from the Company's normal procedure, enabling a better debt quality, i.e., it could reduce a great number of customers who are unable to repay their debt. Those granted by the Company therefore is the ones who could pay their debt and have responsibilities. This, coupled with the Company's bill collection policy to closely follow the debt payment, resulted in no increases in non-performing customers whereas the amount of outstanding receivables declined.

## 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

Types of Loans	(Million Baht) Amount	%	Interest Rate
Replacement Restructuring Agreement	962	87	Floating Rate
Short Term loan from financial institution	88	8	Fixed Rate
Debentures	52	5	Fixed Rate
<b>Total</b>	<b>1,102</b>	<b>100</b>	

From the above table, 87% of loans are floating interest rates. Therefore, if the market interest rates rises, the Company has higher risk from funding costs, for the interest expenses are higher than those earned from the receivables. To lessen the risk, the Company has set up the following procedures:

1. The Company puts emphasis on efficient bill collection to weaken the problem of the bad debt that causes a lower yield.
2. Due to the limited amount of funds, the Company's policy in granting new facilities is not to reduce the interest rates but focus instead on the quality of its customers.
3. The Company will try to increase the ratio of the financial sources with fixed interest rate 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 years, 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 2006, the outstanding bonds valued at Baht 52 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 August 2006, the Company had a short-term loan from a financial institution in the amount of USD 3.825 million with conditional assignment of receivables as security. Even the Company could obtain the loan but has not found additional sources of fund. The risk still exists and will affect the Company's performance, resulting in the declining of new receivables and shrinking of the Company's assets.

### **Risk from Shrinking Amount of Assets and Incapability to Pay Back the Loan**

At current situation, to seek new funding sources or to borrow in order to do business continuously, it is most likely to consider the cash inflow received from the collection of the existing customers as collateral. If the Company could not expand the receivables base, it will face risk as follows:

- The chance to find an additional source of fund in accordance with its amount of assets will become more difficult.
- The receivables will shrink in continuity.
- The cash flow will not cover the loan burdens that are gradually due.
- The size of assets will be insufficient for operating expenses.

Thus in case the Company is unable to find additional funding sources, it will have to reduce the size of business, to set apart cash flow to sufficient repay all loans, and to control the quality of customers in order to do business continuously.

### **Risk from Having No New Partner**

Presently many commercial banks have set up hire purchase business as one of their working units due to their several advantages, such as being one of marketing channels through their various branches, etc. The Company will face risk in losing its business, if no new partner can be found.

To carry on the business, the Company has considered changing its business line or adding new lines of business. This has to be done carefully and may need a financial advisor for guiding of the matters concerned.



## Risk from Currency Exchange Rates

The outstanding balance of the loan under the *Replacement Restructuring Agreement* at the end of 2006 was USD 18 million, without hedging, which may affect the Company's performance.

However, considering the higher stability of Thai Baht plus the assets under the rights in entering into the fund participation in the amount of USD 9 million, as well as the expenses for the hedging, the Company will face a lower degree of risk from currency exchange rates.

## 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 transferees 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 USD 16 million and Baht 73 million which the Company already booked the due principal equaling to Baht 133 million under *Current portion of Debt under Replacement Restructuring Agreement - due within one year* and booked the accrued interest at normal rates in the amount of Baht 67 million under *Accrued interest expense* in the *Financial Statements*. If the conclusion would be that the transferees were eligible under the Agreement, the Company might have penalty interest burden calculated up to December 31, 2006, in the amount of Baht 8 million. To reduce the said risk, the Company tried to find the way to reach the resolution for this matter, e.g., to enter into fund participations.

## Risk from Entering into Fund Participations

The Company entered into two fund participation agreements so as to have the participation in the rights over part of the Company's debt under the *Replacement Restructuring Agreement* totaling USD 9 million, which will benefit the Company in the amount of USD 14 million.

From the consultation made with the financial adviser and the legal counselor, 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 the grantors receive repayments of principal and payments of interest from the Company as their debtor.



## REPORT ON RESPONSIBILITY FOR FINANCIAL STATEMENT

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 is 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 2006.

(Dr. Panas Simasathien)  
Chairman

(Mr. Vinit Samritpricha)  
Managing Director

(Ms. Puangthip Pinsuk)  
Assistant Managing Director  
Finance & Accounting and Administration Division

## REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

In the year 2006, the Company not only faced the problems of limited fund and high funding cost as before, but also encountered competitors in the hire-purchase market that were the captive finance of the car manufacturers as well as the bank subsidiaries, which had financial advantages, resulting in the Company's new businesses in the amount of only Baht 484 million, a 53% decline from last year, thus reducing the total assets and revenues 12% and 8% respectively.

### REVIEW ON OPERATIONS

#### Revenues

In the year 2006, the Company's total revenue was Baht 170 million, compared to Baht 185 million in 2005, an 8% decrease, details of which are as follows:

1. The Company earned income from hire-purchase contracts in the amount of Baht 67 million, or 39% of the total revenue, compared to Baht 71 million of last year, a 6% decrease. The interest income averaged at 6.5%, down from 6.9% of the previous year, due to the lesser amount of its hire purchase contracts, especially for used cars.
2. Income from financial leases in the amount of Baht 8 million, compared to last year's figure of Baht 11 million, dropped 25%, caused by a lack of interest in this type of leasing.
3. Interest income from the rights over hire purchase contracts amounted to Baht 13 million or 8% of the total revenues, compared to Baht 39 million in the prior year, a 65% decrease. This was because the Securitization plan was close to its end, ARSPV's rights of claim declined, thus the recognition of the income became less accordingly.
4. Income from rental and service in the amount of Baht 11 million, or 6% of the total revenues, came from STSL's operation, compared to Baht 28 million in the year before, a drop of 61%, resulted from the cease on business expansion, causing a gross loss of 9% compared to a profit of 6% in the past year.
5. The Company had a gain from foreign currency exchange rates in the amount of Baht 30 million, compared to a loss of Baht 15 million in 2005. At the end of 2006, the Company booked the unhedged loan in the amount of USD 20 million, based on The Bank of Thailand's reference rates, i.e., USD 1 = Baht 36.2308, compared with 41.1746 in the year before.
6. Interest income in the amount of Baht 16 million, up 93%, compared to last year's figure of Baht 8 million, was due to higher savings interest rate.
7. Profit from the sale of assets foreclosed stood at Baht 6 million, in contrast to Baht 9 million loss in 2005, due to higher price from the sale of the leased assets by the Company's subsidiary.
8. Revenue from other incomes i.e., service income, interest income, and other incomes totaled at Baht 20 million, a 30% drop from Baht 28 million of last year. This was due to the declining of incomes from commission and from claim received from winning legal case.

## Expenses

Total expenses in 2006 amounting to Baht 99 million was 33% down from Baht 149 million of the year before. The details were as follows:

1. The Company's operating and administrative expenses of Baht 124 million, an 11% decline, comprised
  - 1.1 Loss from the sale of repossessed asset in the amount of Baht 6 million was down 6% from last year, due to lesser amount of sale as well as of repossessed cars.
  - 1.2 Income from reversal of doubtful accounts amounted to Baht 28 million, compared to the last year's figure of Baht 18 million, a 53% increase. This attributed to the amount collected from a major overdue receivables in 2006, of which the allowance for doubtful account was fully reserved.
  - 1.3 The Company's expenses from borrowing were up Baht 6 million, which was the management fee of its new short-term loan contract from an overseas financial institute.
  - 1.4 24% of operating expenses, or Baht 15 million, went to *STSL*, a 57% decline from the previous year, comprising the depreciation of leased cars in the amount of Baht 9 million, a 54% decline from the year before, due to its cease on new business, thus other expenses decreased as well. Additionally, *STSL* wrote off its deferred income tax to bad debt in the amount of Baht 7 million.
  - 1.5 *ARSPV*'s administrative expense comprising fees related to debentures and asset management for rights over hire purchase contracts through securitization plan amounted to Baht 3 million. *ARSPV* also wrote off its deferred income tax to bad debt that could no longer be utilized as tax credit in the amount of Baht 2 million.
2. Consolidated Interest Expenses in 2006 stood at Baht 73 million, up Baht 6 million, or 9% of the previous year.

## Proportion of Interest Expenses

(In Million Baht)

Company	2005	%	2006	%	Change (%)
<i>SCAN</i>	46	69	67	92	46
<i>STSL</i>	1	1	0	0	(100)
<i>ARSPV</i>	20	30	6	8	(70)
<b>Total</b>	<b>67</b>	<b>100</b>	<b>73</b>	<b>100</b>	<b>9</b>

The Company's interest expenses was up 9%, amounting to Baht 67 million, incurred from its own loan, or 92% of the total interest expenses, a 46% increase, due to the higher floating interest rates set in the loan contract as well as a new short-term loan in the amount of USD 3.8 million.

*ARSPV*'s interest expenses amounting to Baht 9 million was 70% down from last year, resulted from the Company's gradual debentures repayment on due. The outstanding balance of the said debenture in the amount of Baht 52 million would mature in January 2007.



## Performance in Summary

(In Million Baht)

Statements of Income	2005	%	2006	%	Change (%)
<b>Total Revenues</b>	<b>185</b>	<b>100</b>	<b>170</b>	<b>100</b>	<b>(8)</b>
Operating and administration expenses	(149)	(81)	(99)	(58)	(33)
<b>Profit before interest expenses and income tax</b>	<b>36</b>	<b>19</b>	<b>71</b>	<b>42</b>	<b>97</b>
Interest expense	(67)	(36)	(73)	(43)	9
Income tax	(1)	(1)	(1)	(0)	0
<b>Net loss</b>	<b>(32)</b>	<b>(17)</b>	<b>(3)</b>	<b>(1)</b>	<b>(91)</b>

The Company's net loss of this year amounted to Baht 3 million, down 91% from Baht 32 million of the year before, caused by the Company's gain from reversal of doubtful accounts, from currency exchange, and from the sale of repossessed cars, thus the profit before interest expenses and tax was 97% up from the prior year.

The increase in interest rates caused the Company to pay higher interest expenses. But profit from currency exchanges coupled with the lower hedging expenses helped lessen the overall burden of interest expenses as well as the funding cost. The interest expenses of this year stood at 3.5%, dropped 5.0% from the year before. Comparing with the interest income from hire purchase contracts and financial leases, the interest spread was up from 1.9% of last year to 3%.

But the said interest spread was insufficient for operating cost, thus the Company had a net loss in the amount of Baht 3 million, or 2% of the total revenues. This was caused by the decrease in interest income incurred by the declining amounts of outstanding receivables. However, the Company's net loss ratio of this year was better off to 0.3% from 3.9% of last year.

## CHANGE IN ACCOUNTING POLICY/ADOPTION OF NEW ACCOUNTING STANDARDS

In 2006, the Company changed its record of investments in subsidiaries in the Separate Financial Statements from the *equity method* to the *cost method* as stated in the *Notification No.26/2006 by the Federation of Accounting Profession regarding Accounting Standard No.44 Consolidated Financial Statements and Accounting for Investment in Subsidiaries (Amendment No.1)*. The above change affected in the difference of net profit (loss) of the year in the Separate Financial Statements from the Consolidated Financial Statements.

The Company also readjusted the Financial Statements of last year as if the Company had always recorded investments in subsidiaries by using the cost method. This change effected the net profit in the Separate Financial Statements of 2006 and 2005 to increase by Baht 4.5 million and Baht 5.3 million respectively (up Baht 0.08 and Baht 0.09 per share respectively) as shown under the heading of *Cumulative effect of the change in accounting policy for investments in subsidiary companies in the Separate Financial Statements* in the Statements of changes in shareholders' equity, but had no effect on the Consolidated Financial Statements.



## FINANCIAL STATUS

### Balance Sheets

Type	2005	%	2006	%	Change (%)
Total Assets	2,348	100	2,060	100	(12)
Total Liabilities	1,528	65	1,243	60	(19)
Shareholders' equity	819	35	816	40	(0.4)

### TOTAL ASSETS

In 2006, the total assets decreased by 12%, mainly from the reduction in receivables, of which 42% was current assets in the amount of Baht 873 million, detailed as follows:

### Cash and Cash Equivalents

The Company had cash, cash equivalents amounting to Baht 301 million or 15% of total assets, compared to Baht 234 million, an increase of 28%, attributing to the Company's reduction on new businesses expansion, thus the amount spent for new businesses written was less than that of collection from the receivables. The Company earned an average 3.6% per annum from its bank savings and promissory notes with financial institutions.

### Rights of Claim under Hire Purchase Contracts

In October 2004, the Company transferred its rights of claim under hire purchase contract to ARSPV in accordance with the securitization project. The book value of the principal was in the amount of Baht 1,000 million.

At the end of 2006, the balance net of unearned interest income and allowance for doubtful accounts of 813 contracts amounted to Baht 72 million, or 3% of the total assets, compared to Baht 304 million of last year, a 76% decline, resulted from an efficient debt collection and in compliance with the remaining time of the securitization project.

### Hire Purchase and Financial Lease Contract Receivables

The Company's outstanding receivables, the ones under litigation net of unearned interest income and allowance for doubtful accounts totaled Baht 1,032 million, or 50% of total assets, compared to Baht 1,314 million of the year before, a 21% decrease. Out of these amounts, Baht 103 million was used as collateral for new loan in 2006, comprising the following contracts:

Type of Financing	2005		2006		Change (%)
	Amount	No. of Contracts	Amount	No. of Contracts	
Hire purchase	1,128	2,296	881	2,252	(22)
Leasing	186	359	151	241	(19)
<b>Total</b>	<b>1,314</b>	<b>2,655</b>	<b>1,032</b>	<b>2,493</b>	<b>(21)</b>

87% of the total receivables were from new cars financing. The Company mainly emphasized hire purchase finance for new cars since they generated 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. (Details of calculating percentages for the allowance was disclosed in Notes to Financial Statements.)

Table of Percentages applied in Calculating Allowance for Doubtful Accounts

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

Receivables	2005			2006		
	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	1,465	88	2,829	973	86
Overdue more than 7 days to 90 days	469	144	9	367	118	10
Overdue more than 90 days to 180 days	69	18	1	63	16	1
Overdue more than 180 days	64	25	1	40	11	1
<b>Subtotal</b>	<b>4,468</b>	<b>1,652</b>	<b>99</b>	<b>3,299</b>	<b>1,118</b>	<b>99</b>
Receivables under litigation	24	19	1	7	14	1
<b>Grand Total</b>	<b>4,492</b>	<b>1,670</b>	<b>100</b>	<b>3,306</b>	<b>1,132</b>	<b>100</b>
Less : Allowance for doubtful accounts		53	3		28	2
<b>Net value of Receivables</b>		<b>1,618</b>			<b>1,104</b>	

The Company's total net receivables from unearned interest income were 3,306 contracts amounting to Baht 1,132 million, compared to 4,492 contracts amounting to 1,670 million of last year, a 32% decline. These current portion and under 7 days overdue totaled Baht 973 million, or 86%, compared to Baht 1,465 million in the year before, or 88% of the total. Receivables with overdue from 7 to 90 days were Baht 118 million or 10%, compared to the last year's figure of Baht 144 million, down 18%.



Furthermore, the Company had 3% of non-performing receivables which comprised those with overdue from 90 days up in the amount of Baht 27 million, or 2% of the total, compared to Baht 43 million in 2005, a 37% decline. There were also receivables under litigation amounting to Baht 14 million, or 1%, compared to Baht 19 million of the prior year which the Company had already stopped income recognition as well as provided allowance for these doubtful accounts at the set percentage.

The Company already provided total allowance for doubtful accounts in the amount of Baht 28 million, or 2% of total receivables, or 68% of non-performing receivables, compared to Baht 53 million of 2005, or 3% of total receivables, or 96% of non-performing receivables. The reduction of the estimated reserve from the previous year was in accordance with the Company's set percentages which already covered the possible damage and the Company was certain of its efficiency in debt collection, so an additional reserve was unnecessary.

### Short-Term Loans

The Company gave short-term loans to related and unrelated businesses in the amount of Baht 15 and 18 million respectively. Those for related businesses were the amount *STSL* provided to *SMC Motors* as working capital. The outstanding balance was Baht 10 million of which floor plan financing stood at Baht 5 million (as detailed in *Related Transaction*).

In the *Separate Financial Statements*, the Company provided loan to *SAMC* in the amount of Baht 12 million for which allowance for doubtful account was fully reserved since the subsidiary stopped its operation from 2004 onwards. The Company also offered a Subordinated Long Term loan to *ARSPV* in the amount of Baht 200 million which the Company would be repaid when the bond holders and other related expenses incurred via securitization project were completely paid. In addition, the Company reserved an allowance for doubtful accounts in accordance with the debt quality of the rights of claim in the amount of Baht 1 million.

Loans to unrelated businesses were floor plan financing for used-car dealers which at the year end stood at Baht 18 million, compared to Baht 10 million in 2005. This type of financing used the vehicles as collateral.

### Asset Foreclosed

Asset foreclosed comprised cars and machinery repossessed from the overdue receivables plus cars returned at the end of financial lease contracts of *STSL*. The value net of the allowance for losses of 16 items amounted to Baht 5 million, compared to 28 items of Baht 10 million, a 54% decrease. The Company recorded the loss from assets disposal and the estimated market price in the amount of Baht 4 million.

### Restricted Investment

The amount of such investment totaled Baht 232 million or 11% of overall assets. The part of *SCAN* stood at Baht 54 million as collateral for loans and interests, compared to Baht 80 million of last year, a 33% decline. The Company cancelled its hedging contract of foreign currency risk, this regained the Company the collateral in the amount of Baht 65 million. Another Baht 178 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.



## Leased Cars

At year end, the value was Baht 6 million, down from Baht 27 million of last year, affected by *STSL*'s cease on its business expansion.

## Rights over the Company's loans

These rights came from the Company's entering into a Fund Participation Agreement as to participate in the rights over part of the Company's debt under the Replacement Restructuring Agreement. This would benefit the Company for two years when the principal and interest were repaid by the debtor. At year end, the rights were Baht 347 million (USD 9.3 million), compared to Baht 127 million (USD 2.9 million) of the prior year, an increase of 173%, due to an additional fund participation agreement.

## Receivables under litigation

At year end, these receivables were Baht 132 million from 223 cases, compared to Baht 138 million from 218 cases the year before, or 6% of total assets. Even the cases were won, the Company still needed some time to collect the debt from customers. Therefore the Company reserved allowance for these debts at full amount.

## Non-current Assets

At the end of 2006, the figure was Baht 8 million, compared to Baht 14 million of the year before, a 39% decline, mainly was deferred commission expense which decreased in accordance with the new business volume from Baht 10 million a year ago, a 6% down.

In addition, *ARSPV* wrote off its deferred income tax from its non-current assets in the amount of Baht 1 million since it could no longer be utilized as tax credit in the future.

## Investments in Subsidiaries by Equity Method

The Company had investments in three subsidiary companies, i.e., *STSL*, *SAMC* and *ARSPV* amounting to Baht 660 million in total capital which an impairment cost of Baht 600 million from its investment was already booked because the operation at *SAMC* has been ceased since 2004.

## LIABILITIES

The Company's total liabilities at the end of year were Baht 1,243 million, of which 51% or Baht 633 million was current liabilities, compared to Baht 1,528 million of last year, a 19% decrease. Details were as follows:



## Loans

The Company's bank loans stood at Baht 1,050 million, or 84% of the total figure, comprised two loans as follows:

1. Loans of Baht 962 million in line with the Replacement Restructuring Agreement was 299 million in Baht borrowing and 18 million in US Dollar borrowing, and then amount of Baht 399 million is due for repayment in 2007 (details of terms as disclosed in *Notes to Financial Statements*).

In 2006, the Company gradually repaid the loans and interests on due to the eligible bank creditors for the principals and interests on due totaling Baht 42 million and USD 0.3 million. The Company still deferred the payment to the new transferees whose status was still unclear of their eligibility.

However, the Company already booked the said amount of Baht 133 million and USD 67 million in *Current portion of debt under Replacement Restructuring Agreement and in Accrued interest expenses* and would proceed on it as soon as their eligibility could be clarified.

2. Short-term loan in the amount of Baht 88 million, loan in USD 2.4 million that would be due for repayment in full amount in 2007 which came from net receivables of selected hire purchase contracts in the amount of Baht 103 million.

## Debentures

The Company's outstanding balance of the debentures stood at Baht 52 million, or 4% of the total liabilities. The debentures were issued by ARSPV in 2004 under the Securitization Act. The repayment of principal, interest and other expenses were derived from the cash inflow from the rights over the hire-purchase contracts under the Securitization Act which the Company had transferred to ARSPV during the year. And the Company had gradually repaid in the total amount of Baht 247 million.

## Purchase option received in advance and guarantee deposits

Purchase option received in advance and guarantee deposits was 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 47 million this year, compared to Baht 51 million of last year, a drop of 8%, due to lesser amount of contracts.

## Debt under hire-purchase contracts

Debt under hire-purchase contracts of STSL was Baht 0.3 million, 92% down from the prior year, due to the cease of new business of this subsidiary.

## SHAREHOLDERS' EQUITY

At the end of 2006, the Company net loss was Baht 3 million or Baht 0.05 per share, reducing the shareholders' equity to Baht 816 million, or down 0.4% from Baht 819 million of last year. The book value per share was at Baht 13.6.

## LIQUIDITY AND SOURCE OF FUND STRUCTURE

The Company's net cash flows throughout the year dropped by Baht 66 million, comprising

1. Net cash from operating activities in the amount of Baht 521 million, mostly came from bill collection of hire-purchase contracts, the rights over hire-purchase contracts and parts of operation. The uses of cash were for hire-purchase businesses expansion, interest payment. This amount from operating activities was up because the Company granted less credits.
2. Net cash flows spent in investing activities amounted to Baht 199 million, comprised an additional investment in fund participation, floor plan financing and working capital lending to a related company.
3. Net cash flows provided for financing activities of Baht 256 million were to repay the Company's loan in the amount of Baht 56 million, to repay *ARSPV*'s debentures which amounted to Baht 247 million, to repay *STSL*'s hire-purchase debt of Baht 4 million, and to cover the currency exchange rates of forward cover contracts in the amount of Baht 40 million. In addition, the Company was granted a short-term loan totaling Baht 92 million.

At year end, the Company's cash and cash equivalents stood at Baht 301 million, a 29% increase.

The estimated balance of cash flow in 2007, would be as follows:

			(In million Baht)
<b>Cash and cash equivalents at the end of 2006</b>			<b>301</b>
<b>Total</b>	Receivables under hire purchase contracts due in one year	463	
	<b>Rights of claim due in one year</b>	<b>68</b>	<b>531</b>
<b>Deduct</b>	Short-term Loans	88	
	Loans under RRA	399	
	Debentures	52	
	Accrued interest expenses	68	<b>607</b>
<b>Estimated balance of cash flow</b>			<b>225</b>

### Main factors and influences that may affect future performance or financial status

The Company's debt/equity ratio decreased to 1.5 times from 1.9 times in the year before, resulting from the gradual repayments of the Company's loans and *ARSPV*'s debentures. With the new loan in 2006, the Company still had a chance to seek new ones without breaking the terms in the Replacement Restructuring Agreement that set its debt/equity ratio at 7:1 times.

The deferment on business operation. Due to negative factors in the competition, the Company's revenues fell short to cover its expenses and it might face the risk of insufficient cash in the future, as proved by the loss per asset at 0.1%.



Quality customers management and bad debt reduction were two main factors that affected both the Company's performance and its future cash inflow. As long as no new funding source could be sought, the Company had to efficiently manage its cash flow to enable the best yield and the least loss.

## **AUDIT FEE**

### **Audit fee**

In the year 2006, the Company and its subsidiaries paid auditing compensation to its auditing company in the amount of Baht 1.8 million.

### **Other service fees**

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



**SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED**  
**AND IT SUBSIDIARIES**

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006



## REPORT OF INDEPENDENT AUDITOR

To the Board of Directors and Shareholders of  
Scandinavian Leasing Public Company Limited

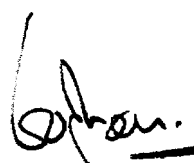
I have audited the accompanying consolidated balance sheet of Scandinavian Leasing Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Scandinavian Leasing Public Company Limited for the same year. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Scandinavian Leasing Public Company Limited and its subsidiaries and the separate financial statements of Scandinavian Leasing Public Company Limited for the year ended 31 December 2005, as presented herein for comparative purposes, were audited in accordance with generally accepted auditing standards by another auditor who, under her report dated 22 February 2006, expressed an unqualified opinion on those financial statements, while drawing attention to the matter discussed below in paragraph 2) of this report.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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 statements presentation. I believe that my audit provides 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 2006, the results of their operations, and cash flows for the year then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the following matters: -

- 1) As discussed in Note 19, the Company has not paid interest and principal to four creditors in accordance with the terms of the Replacement Restructuring Agreement, since there is uncertainty as to whether those creditors, which are new creditors, qualified under the conditions of the Replacement Restructuring Agreement. Some of these creditors had took steps to enforce settlement of the loans in full, on the grounds of the default of the agreement, but these actions were not approved by a majority of creditors, and so the Company continues to record interest at the normal rates stated in the agreements.
- 2) As discussed in Note 13, the Company has entered into 2 Fund Participation Agreements with 2 overseas companies, with total contracts amount of USD 9.31 million (2005: 1 agreement; contract amount of USD 2.94 million). There is still uncertainty as to whether entering into such Participation Agreements accords with the terms of the Replacement Restructuring Agreement, and the financial statements do not include any adjustments that might be required in relation to this uncertainty.
- 3) As discussed in Note 19, the Company has terminated a USD 10.7 million forward purchase contract, contrary to the conditions stipulated in the Replacement Restructuring Agreement. As at the date of this report, no action has been taken by the creditors. There is still uncertainty as to whether the Company will be able to negotiate a waiver of this default with its creditors if any action is taken. The financial statements do not include any adjustments that might be required in relation to this uncertainty.



Sophon Permsirivallop  
Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited  
Bangkok: 21 February 2007



# SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

Note	Consolidated		The Company Only	
	2006	2005	2006	2005
				(Restated)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		300,672,134	234,477,859	261,931,679
Current portion of rights of claim under hire purchase contracts - net	6	67,728,334	212,937,895	-
Current portion of hire purchase receivables - net	7, 12	402,727,732	426,831,795	403,019,146
Current portion of financial lease contract receivables - net	8	59,660,833	80,481,146	59,660,833
Short-term loans to related parties - net	12	14,903,472	-	203,741,811
Short-term loans to unrelated parties	9	18,376,500	9,653,500	18,376,500
Amounts due from related parties - net	12	6,781	-	3,045,413
Assets foreclosed		8,804,074	17,258,996	7,557,721
Less: Allowance for impairment		(4,208,278)	(7,248,011)	(4,130,151)
Assets foreclosed - net		4,595,796	10,010,985	3,427,570
Other current assets		4,363,306	8,153,242	3,968,304
Total current assets		873,034,888	982,546,422	957,171,256

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

# SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)  
AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

Note	Consolidated		The Company Only	
	2006	2005	2006	2005
(Restated)				
<b>Non-current assets</b>				
Restricted investments	10			
Deposits at financial institutions		137,483,462	92,892,297	39,073,842
Promissory notes		15,000,000	80,000,000	15,000,000
Bill of exchange		79,835,074	109,897,477	–
Total restricted investments		232,318,536	282,789,774	54,073,842
Rights of claim under hire purchase contracts – net of current portion	6	3,957,789	91,266,363	–
Hire purchase receivables – net of current portion	7	478,217,290	701,310,471	478,217,290
Financial lease contract receivables – net of current portion	8	91,570,857	105,446,634	91,570,857
Long-term loan to related party – net	12	–	–	195,465,496
Investments accounted for under equity method	11	–	–	60,002,600
Vehicles for lease – net	15	6,443,332	27,004,439	3,196,019
Equipment – net	14	18,617,805	16,432,213	18,488,057
Participation in rights over the Company's debt	13	347,052,021	126,835,234	347,052,021
Litigated receivables on which courts have ruled		132,484,289	138,486,407	132,484,289
Less: Allowance for doubtful accounts		(132,484,289)	(138,486,407)	(132,484,289)
Litigated receivables on which courts have ruled – net		–	–	–
Other non-current assets – net		8,576,932	13,978,287	8,348,476
<b>Total non-current assets</b>		<b>1,186,754,562</b>	<b>1,365,063,415</b>	<b>1,060,949,162</b>
<b>TOTAL ASSETS</b>		<b>2,059,789,450</b>	<b>2,347,609,837</b>	<b>2,018,120,418</b>

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



# SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)  
AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

Note	Consolidated		The Company Only	
	2006	2005	2006	2005
				(Restated)
<b>Non-current liabilities</b>				
Liabilities under hire purchase agreement				
- net of current portion	17	-	329,086	-
Debentures - net of current portion	18	-	52,000,000	-
Debt under Replacement Restructuring Agreement - net of current portion	19	563,419,486	904,084,923	563,419,486
Advance for purchase of option and guarantee deposits	8	47,363,857	51,373,848	47,363,857
<b>Total non-current liabilities</b>		610,783,343	1,007,787,857	610,783,343
<b>TOTAL LIABILITIES</b>		1,243,514,159	1,528,583,671	1,198,164,447
<b>Shareholders' equity</b>				
Share capital				
Registered share capital				
60,000,000 ordinary shares of Baht 10 each		600,000,000	600,000,000	600,000,000
Issued and fully paid-up				
60,000,000 ordinary shares of Baht 10 each		600,000,000	600,000,000	600,000,000
Share premium		132,816,567	132,816,567	132,816,567
Retained earnings				
Appropriated - statutory reserve	20	7,000,901	6,914,822	7,000,901
Unappropriated		76,457,823	79,294,777	80,138,503
<b>Total shareholders' equity</b>		816,275,291	819,026,166	819,955,971
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		2,059,789,450	2,347,609,837	2,018,120,418
				2,046,621,845

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

.....  
DIRECTORS  
.....

## SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

Note	Consolidated		The Company Only	
	2006	2005	2006	2005
(Restated)				
<b>Revenues</b>				
Hire purchase interest income	12	66,606,675	71,224,228	66,710,346
Financial lease interest income	12	8,008,398	10,746,607	8,008,398
Rights of claim under hire purchase contracts interest income		13,332,533	38,632,754	–
Revenue under rental and service contracts		10,766,179	27,781,123	1,680,920
Service income	12	421,420	3,978,558	4,440,000
Exchange gains		29,761,474	–	29,761,474
Interest income	12	16,257,404	8,377,108	25,063,969
Gains on sales of assets foreclosed		5,889,969	–	–
Other income	12	19,329,530	24,340,598	18,588,250
<b>Total revenues</b>		<b>170,373,582</b>	<b>185,080,976</b>	<b>154,253,357</b>
<b>Expenses</b>				
Administrative expenses		124,350,033	139,357,029	103,893,580
Reversal of allowance for doubtful accounts		(27,985,216)	(18,224,987)	(27,405,216)
Exchange loss		–	15,175,503	–
Loss on sales of assets foreclosed		–	9,231,574	5,732,641
Directors' remuneration	12	3,097,000	3,598,000	3,097,000
<b>Total expenses</b>		<b>99,461,817</b>	<b>149,137,119</b>	<b>85,318,005</b>
Earnings before interest expenses and income tax		70,911,765	35,943,857	68,935,352
Interest expenses		(73,381,765)	(67,202,953)	(67,213,780)
Corporate income tax	22	(280,875)	(987,479)	–
<b>Net income (loss) for the year</b>		<b>(2,750,875)</b>	<b>(32,246,575)</b>	<b>1,721,572</b>
<b>Basic earnings per share</b>				
Net income (loss)	23	(0.05)	(0.54)	0.03

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



## SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Issued and paid-up Share capital	Share premium	Consolidated		
			Retained earnings		Total
			Appropriated	Un- appropriated	
<b>Balance as at 1 January 2005</b>	600,000,000	132,816,567	6,914,822	111,541,352	851,272,741
Net loss for the year	-	-	-	(32,246,575)	(32,246,575)
<b>Balance as at 31 December 2005</b>	600,000,000	132,816,567	6,914,822	79,294,777	819,026,166
transferred to legal reserve	-	-	86,079	(86,079)	-
Net loss for the year	-	-	-	(2,750,875)	(2,750,875)
<b>Balance as at 31 December 2006</b>	600,000,000	132,816,567	7,000,901	76,457,823	876,275,291

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



SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	The Company Only				
	Issued and paid-up Share capital	Share premium	Retained earnings		Total
			Appropriated	Un- appropriated	
<b>Balance as at 1 January 2005</b>					
<b>(Previously reported by other auditor)</b>	600,000,000	132,816,567	6,914,822	111,541,352	851,272,741
Cumulative effect of the change in accounting policy for investments in subsidiaries	-	-	-	(6,063,054)	(6,063,054)
<b>Balance as at 31 December 2005</b>					
<b>(Restated)</b>	600,000,000	132,816,567	6,914,822	105,478,298	845,209,687
Net loss for the year (Restated)	-	-	-	(26,975,288)	(26,975,288)
<b>Balance as at 31 December 2005 (Restated)</b>	600,000,000	132,816,567	6,914,822	78,503,010	818,234,399
<b>Balance as at 1 January 2006</b>					
<b>(Previously reported by other auditor)</b>	600,000,000	132,816,567	6,914,822	79,294,777	819,026,166
Cumulative effect of the change in accounting policy for investments in subsidiaries	-	-	-	(791,767)	(791,767)
<b>Balance as at 1 January 2006</b>					
<b>(Restated)</b>	600,000,000	132,816,567	6,914,822	78,503,010	818,234,399
transferred to legal reserve	-	-	86,079	(86,079)	-
Net income for the year	-	-	-	1,721,572	1,721,572
<b>Balance as at 31 December 2006</b>	600,000,000	132,816,567	7,000,901	80,138,503	819,955,971

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

SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
	(Restated)			
<b>Cash flows from operating activities</b>				
Net income (loss) for the year	(2,750,875)	(32,246,575)	1,721,572	(26,975,288)
Adjustments to reconcile net income (loss) to net cash provided by (paid for) operating activities: -				
Depreciation and amortisation	21,235,546	35,485,547	11,894,094	15,065,061
Reversal of allowance for doubtful accounts	(27,985,216)	(18,224,987)	(27,405,216)	(18,224,987)
Gains on sales of equipment	(747,661)	(937,401)	(747,661)	(930,395)
Loss (gain) on sales of vehicle for lease	345,973	(831,200)	345,973	-
Unrealised exchange losses (gains) - net	(56,141,496)	15,639,085	(56,141,496)	15,639,085
Loss on impairment of assets foreclosed	6,087,228	13,273,617	6,009,100	13,472,444
Loss (gains) on sales of assets foreclosed	(11,839,864)	(3,589,080)	(139,127)	419,793
Earnings (loss) from operating activities before changes in operating assets and liabilities	(71,796,365)	8,569,006	(64,462,761)	(1,534,287)
Decrease (increase) in operating assets				
Rights of claim under hire purchase contracts	235,890,978	421,243,344	-	-
Hire purchase receivables	237,530,794	(213,197,797)	240,656,932	(204,349,316)
Financial lease receivables	42,426,064	38,427,578	42,426,064	38,427,578
Amounts due from related parties	2,202,844	(2,259,600)	593,092	(1,012,128)
Assets foreclosed	47,603,227	40,494,905	27,173,320	24,294,119
Value added tax refundable	(20,182)	12,181,699	-	11,921,372
Other current assets	3,860,093	1,329,155	2,220,161	2,037,385
Other non-current assets	(1,258,182)	292,352	(3,036,733)	(6,477,691)

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



## SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
	(Restated)			
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	(8,636,346)	(16,343,759)	(8,636,346)	(16,343,758)
Trade accounts payable - unrelated parties	(460,542)	(32,299,445)	(442,898)	(32,317,304)
Amounts due to related parties	(2,259,600)	2,259,600	513,326	7,041,813
Accrued interest expenses	44,122,079	18,202,903	45,904,325	21,506,256
Value added tax payable	1,000,397	1,789,736	1,042,501	1,747,632
Corporate income tax payable	(436,544)	(3,131,560)	-	-
Deferred subsidy income	(5,332,129)	1,630,299	(5,332,129)	1,630,299
Other current liabilities	805,660	(1,313,906)	1,097,486	(779,311)
Advance for purchase of option and guarantee deposits	(4,009,991)	(11,636,623)	(4,009,991)	(11,636,623)
Net cash from (used in) operating activities	521,232,255	266,237,887	275,706,349	(165,843,964)
<b>Cash flows from investing activities</b>				
Decrease in current investments	-	200,422,210	-	200,422,210
Increase in short-term loans to unrelated parties	(8,836,603)	(2,777,620)	(8,836,603)	(2,777,620)
Decrease (increase) in short-term loans to related parties	(14,903,472)	-	(4,903,472)	15,000,000
Increase in participation in rights over the Company's debt	(220,216,788)	(126,835,234)	(220,216,788)	(126,835,234)
Decrease in restricted investments	50,471,239	62,263,688	25,926,158	20,000,000
Proceeds from sales of equipment	747,664	1,169,626	747,664	1,162,617
Proceeds from sales of vehicle for lease	934,579	1,781,308	934,579	-
Acquisition of equipment	(7,253,999)	(8,271,539)	(7,253,999)	(7,164,885)
Net cash from (used in) investing activities	(199,057,380)	127,752,439	(213,602,461)	99,807,088
<b>Cash flows from financing activities</b>				
Decrease in liabilities under hire purchase agreement	(4,262,823)	(14,252,889)	-	-
Repayment of debentures	(247,500,000)	(438,450,000)	-	-
Repayment of debt under Replacement Restructuring Agreement	(55,996,279)	(19,162,798)	(55,996,279)	(19,162,798)
Increase in short-term loan from financial institution	91,649,754	-	91,649,754	-
Cash settlement made due to changes in forward exchange rates	(39,871,252)	(3,460,122)	(39,871,252)	(3,460,122)
Net cash used in financing activities	(255,980,600)	(475,325,809)	(4,217,777)	(22,622,920)
Net increase (decrease) in cash and cash equivalents	66,194,275	(81,335,483)	57,886,111	(88,659,796)
Cash and cash equivalents at beginning of year	234,477,859	315,813,342	204,045,568	292,705,364
Cash and cash equivalents at end of year	300,672,134	234,477,859	261,931,679	204,045,568

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

SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
 STATEMENTS OF CASH FLOWS (Continued)  
 FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
	(Restated)			
Supplemental disclosure of cash flows information				
Cash paid during the year for: -				
Interest expenses	29,259,686	49,000,050	21,309,455	24,832,041
Corporate income tax	1,309,097	4,661,464	476,719	762,415
Non-cash transaction: -				
Properties foreclosed transferred from hire purchase and financial lease contract receivables	28,010,050	44,134,826	28,010,050	44,134,826

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



# SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006

## 1. GENERAL INFORMATION

Scandinavian Leasing Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is SMC Motors Public Company Limited (formerly known as “Swedish Motors Corporation Public Company Limited”), which was incorporated in Thailand. The Company is principally engaged in hire purchase and rent service of cars and its registered address is 142, 20th Floor, Two Pacific Place, Sukhumvit Road, Klongtoey, Bangkok.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

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

## 3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of Scandinavian Leasing Plc. and the following subsidiary companies:

Company's name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
		2006	2005		2006	2005	2006	2005
		Percent	Percent		Percent	Percent	Percent	Percent
Scan Transport Service Ltd.	Operating lease and maintenance services	99.99	99.99	Thailand	2.53	2.28	13.28	15.72
Scan AMC Co., Ltd.	Asset management	99.99	99.99	Thailand	0.03	0.03	–	–
Auto Receivables SPV Co., Ltd.	Special purpose vehicle	100.00	100.00	Thailand	12.58	21.94	8.91	20.11

3.2 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.

#### 4. CHANGE IN ACCOUNTING POLICY/ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2006, and restated its prior year financial statements as though the investment in the subsidiaries had originally been recorded using the cost method. The change has the effect of increasing net income in the separate financial statements of 2006 and 2005 by Baht 4.5 million and Baht 5.3 million (increasing by Baht 0.08 per share and Baht 0.09 per share) respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiary companies in the separate financial statements” in the statements of changes in shareholders’ equity.

#### 5. SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Revenue Recognition

###### Interest income from hire-purchase and financial lease contracts

The Company recognises interest 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 from each installment is recognised on an accrual basis (based on the due date of the installment irrespective of actual collection). The Company ceases recognising income when the receivables are more than 90 days overdue, unless there is an indication of inability to repay, when income recognition is ceased immediately.

###### Interest income from rights of claim under hire-purchase contracts

The subsidiary recognises interest income from rights of claim under hire-purchase contracts in each installment period based on the sum-of-the-digits method, which is similar to the effective interest rate method. Interest income is recognised on an accrual basis (based on the due date of the installment irrespective of actual collection). The subsidiary ceases recognising income when the receivables are more than 90 days overdue.

###### Rental income

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



#### Rendering of services

Service revenue is recognized when services have been rendered taking into account the stage of completion.

#### Interest income

Interest income is recognized as interest accrues based on the effective rate method.

### 5.2 Cash and cash equivalents

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

### 5.3 Rights of claim under hire-purchase contracts, hire purchase and financial lease contract receivables and allowance for doubtful accounts

Rights of claim under hire purchase contracts, hire-purchase and financial lease contract receivables are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is based on analysis of debtor aging, current status of receivables outstanding at the balance sheet date, and the likelihood of settlement of debt, on a specific account basis.

The Company and the subsidiary estimate allowance for doubtful accounts based on the amount receivable (for rights of claim under hire purchase contracts and hire purchase contract receivables there are the gross receivable less unearned interest income and deposits received (if any), and for financial lease contract receivables it is the gross receivable less unearned interest income and advances received from lessees for purchase options under the financial lease contracts) and the number of days overdue, applying the percentages set out in the table below.

Period overdue	Percentage applied
Not yet due, to overdue not more than 7 days	0.5
Overdue 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 being litigated	100.0

The Company and the subsidiary also consider making additional allowance for doubtful accounts when there are other indications that right of claim under hire purchase contracts, hire purchase and financial lease contract debtors may be unable to repay amounts owed to the Company and the subsidiary.





If the Company and the subsidiary had adopted the method per the letter no. Sor. Nor. 111/2547, issued by the Institute of Certified Accountants and Auditors of Thailand, dated 23 April 2004, Re: Providing allowance for doubtful accounts for consumer finance business, which prescribes that allowance for doubtful accounts be made in full for all receivables that are overdue by more than 3 installments, without deducting collateral values, and that consideration should also be given to making a general allowance for receivables which are overdue by fewer than 3 installments, the allowance for doubtful accounts as at 31 December 2006 would increase by Baht 4.9 million (31 December 2005: increase by Baht 2.8 million). The management of the Company and the subsidiary believe that the basis used for making allowance for doubtful accounts is proper, because the granting of credit for vehicle purchases is not consumer finance business. Moreover, during the past five years, the actual losses of the Company and the subsidiary from bad debt averaged 1.09 percent of the net financed amounts. As at 31 December 2006 and 2005, allowances for doubtful accounts for rights of claim under hire purchase contracts, hire purchase and financial lease contract receivables recorded by the Company and the subsidiary equalled 13.86 percent and 10.87 percent, respectively, of the balance of receivable less unearned interest income and guarantee deposits, without deduction of collateral. The percentage allowance for doubtful accounts provided is thus higher than actual losses of the past 5 years. This is because the Company and the subsidiary still have receivables from granting credit for machinery against which they have made full allowance for doubtful accounts. Generally, losses from granting credit for machinery will be higher than those from granting credit for vehicles. The Company and the subsidiary have not granted credit for machinery since 1998 and more than 95 percent of the receivables of the Company and the subsidiary now derive from granting credit for vehicles.

#### 5.4 Assets foreclosed

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

#### 5.5 Investments

- a) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.
- b) Investments in subsidiary companies in the Company's financial statements are accounted for under the cost method.

The fair value of debt instruments is determined based on the required rate of return or the yield rates quoted by the Thai Bond Market Association.

The weighted average method is used for computation of the cost of investments.



## 5.6 Equipment and vehicles for lease/Depreciation

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

Depreciation of equipment and vehicles for lease is calculated by reference to their costs on the straight-line basis over the following estimated useful lives: –

Vehicle	– 5 years
Furniture, fixtures and office equipment	– 5 years
Vehicles for lease	– 5 years

Depreciation is included in determining income.

## 5.7 Prepaid commission

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

## 5.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include the individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

## 5.9 Long-term lease agreements

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease period.

## 5.10 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities dominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

### **5.11 Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

### **5.12 Employee benefits**

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

### **5.13 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **5.14 Income tax**

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

### **5.15 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. RIGHTS OF CLAIM UNDER HIRE PURCHASE CONTRACTS

6.1 As at 31 December 2006 and 2005, the balances of rights of claim under hire purchase contracts are as follows: -

(Unit: Baht)

	Consolidated					
	Current portion of rights of claim under hire purchase contracts		Rights of claim under hire purchase contracts - net of current portion		Total	
	2006	2005	2006	2005	2006	2005
Rights of claim under hire purchase contracts	71,329,143	231,357,437	3,996,943	94,208,986	75,326,086	325,566,423
Less: Unearned interest income	(2,262,796)	(13,815,317)	(39,154)	(2,942,623)	(2,301,950)	(16,757,940)
Total	69,066,347	217,542,120	3,957,789	91,266,363	73,024,136	308,808,483
Less: Allowance for doubtful accounts	(1,161,661)	(4,534,505)	-	-	(1,161,661)	(4,534,505)
Suspense account from accounts receivable	(176,352)	(69,720)	-	-	(176,352)	(69,720)
Rights of claim under hire purchase contracts - net	67,728,334	212,937,895	3,957,789	91,266,363	71,686,123	304,204,258

6.2 As at 31 December 2006 and 2005, the balances of rights of claim under hire purchase contracts (net of unearned interest income) and allowance for doubtful accounts are classified by aging as follows: -

(Unit: Baht)

Aging	Consolidated					
	Rights of claim under hire purchase contracts		Percentage allowance set up by the Company	Allowance for doubtful accounts		Rights of claim under hire purchase contracts - net
	2006	2005		2006	2005	
Not yet due to past due						
not exceeding 7 days	57,477,611	259,513,530	0.5	(287,388)	(1,297,568)	57,190,223
Past due						
over 7 - 90 days	12,107,163	43,671,531	1	(121,072)	(436,715)	11,986,091
over 90 - 180 days	3,357,701	4,225,787	20	(671,540)	(845,157)	2,686,161
over 180 days	81,661	1,397,635	100	(81,661)	(1,397,635)	-
Total	73,024,136	308,808,483		(1,161,661)	(3,977,075)	71,862,475
Less: Allowance for doubtful accounts				-	(557,430)	-
Suspense account from accounts receivable				-	-	(176,352)
Rights of claim under hire purchase contracts - net				(1,161,661)	(4,534,505)	71,686,123

## 7. HIRE PURCHASE RECEIVABLES

7.1 As at 31 December 2006 and 2005, the balances of hire purchase receivables were as follows: –

(Unit: Baht)

	Consolidated					
	Current portion of hire purchase receivables		Hire purchase receivables – net of current portion		Total	
	2006	2005	2006	2005	2006	2005
Hire purchase receivables	457,219,326	497,879,462	507,385,127	744,123,588	964,604,453	1,242,003,050
Less: Unearned interest income	(42,095,448)	(50,932,498)	(29,167,837)	(42,813,117)	(71,263,285)	(93,745,615)
Total	415,123,878	446,946,964	478,217,290	701,310,471	893,341,168	1,148,257,435
Less: Allowance for doubtful accounts	(11,583,855)	(18,340,292)	–	–	(11,583,855)	(18,340,292)
Suspense account from accounts receivable	(812,291)	(1,774,877)	–	–	(812,291)	(1,774,877)
Hire purchase receivables – net	402,727,732	426,831,795	478,217,290	701,310,471	880,945,022	1,128,142,266

(Unit: Baht)

	The Company Only					
	Current portion of hire purchase receivables		Hire purchase receivables – net of current portion		Total	
	2006	2005	2006	2005	2006	2005
Hire purchase receivables	457,513,161	501,079,786	507,385,127	744,447,258	964,898,288	1,245,527,044
Less: Unearned interest income	(42,097,869)	(51,036,309)	(29,167,837)	(42,815,748)	(71,265,706)	(93,852,057)
Total	415,415,292	450,043,477	478,217,290	701,631,510	893,632,582	1,151,674,987
Less: Allowance for doubtful accounts	(11,583,855)	(18,340,292)	–	–	(11,583,855)	(18,340,292)
Suspense account from accounts receivable	(812,291)	(1,774,877)	–	–	(812,291)	(1,774,877)
Hire purchase receivables – net	403,019,146	429,928,308	478,217,290	701,631,510	881,236,436	1,131,559,818



- 7.2 As at 31 December 2006 and 2005, the balances of hire purchase receivables (net of unearned hire purchase income) and allowance for doubtful accounts can be classified by aging as follows: -

(Unit: Baht)

Aging	Consolidated					
	Hire purchase receivables		Percentage allowance set up by the Company	Allowance for doubtful accounts		Hire purchase receivables - net
	2006	2005		2006	2005	
Hire purchase receivable						
Not yet due to past due						
not exceeding 7 days	722,218,756	1,027,362,041	0.5	(3,861,094)	(5,136,810)	768,357,662 1,022,225,231
Past due						
over 7 - 90 days	104,120,704	100,116,235	1	(1,041,207)	(1,001,162)	103,079,497 99,115,073
over 90 - 180 days	12,902,014	11,595,021	20	(2,580,403)	(2,319,004)	10,321,611 9,276,017
over 180 days	1,514,987	1,385,162	100	(1,514,987)	(1,385,162)	- -
Receivables under litigation	2,584,707	7,798,976	100	(2,584,707)	(7,798,976)	- -
Total	893,341,168	1,148,257,435		(11,582,398)	(17,641,114)	881,758,770 1,130,616,321
Less: Allowance for doubtful accounts				(1,457)	(699,178)	(1,457) (699,178)
Suspense account from accounts receivable			-	-	(812,291)	(1,774,877)
Hire purchase receivables - net				(11,583,855)	(18,340,292)	880,945,022 1,128,142,266

(Unit: Baht)

Aging	The Company Only					
	Hire purchase receivables		Percentage allowance set up by the Company	Allowance for doubtful accounts		Hire purchase receivables - net
	2006	2005		2006	2005	
Hire purchase receivable						
Not yet due to past due						
not exceeding 7 days	722,510,170	1,030,779,593	0.5	(3,862,551)	(5,153,898)	768,647,619 1,025,625,695
Past due						
over 7 - 90 days	104,120,704	100,116,235	1	(1,041,207)	(1,001,162)	103,079,497 99,115,073
over 90 - 180 days	12,902,014	11,595,021	20	(2,580,403)	(2,319,004)	10,321,611 9,276,017
over 180 days	1,514,987	1,385,162	100	(1,514,987)	(1,385,162)	- -
Receivables under litigation	2,584,707	7,798,976	100	(2,584,707)	(7,798,976)	- -
Total	893,632,582	1,151,674,987		(11,583,855)	(17,658,202)	882,048,727 1,134,016,785
Less: Allowance for doubtful accounts				-	(682,090)	- (682,090)
Suspense account from accounts receivable				-	-	(812,291) (1,774,877)
Hire purchase receivables - net				(11,583,855)	(18,340,292)	881,236,436 1,131,559,818

- 7.3 Under the conditions of a USD 3,825,000 Term Loan Facility Agreement, discussed in Note 16, the Company entered into an agreement of Conditional Assignment of Receivables as security, whereby if the Company is unable to make settlement as stipulated. Under the agreement, the Company is to transfer collections from eligible receivables to the creditor. There are stipulated qualifications for eligible receivables, such as that they are automobile hire purchase receivables of the Company, which are legally enforceable, the contracts are no longer than 48 months, and the outstanding balance of each contract does not exceed Baht 2.5 million. As at 31 December 2006, the outstanding principal balance of eligible receivables under the agreement was Baht 102.6 million.

## 8. FINANCIAL LEASE CONTRACT RECEIVABLES

- 8.1 As at 31 December 2006 and 2005, the balances of financial lease contract receivables are as follows: –

(Unit: Baht)

Consolidated and The Company Only						
	Current portion of financial lease contract receivables		Financial lease contract receivables – net of current portion		Total	
	2006	2005	2006	2005	2006	2005
Financial lease contract receivables	79,473,011	116,645,911	95,248,862	109,457,272	174,721,873	226,103,183
Less: Unearned interest income	(4,832,991)	(5,702,859)	(3,678,005)	(4,010,638)	(8,510,996)	(9,713,497)
Total	74,640,020	110,943,052	91,570,857	105,446,634	166,210,877	216,389,686
Less: Allowance for doubtful accounts	(14,979,187)	(30,461,906)	–	–	(14,979,187)	(30,461,906)
Financial lease contract receivables – net	59,660,833	80,481,146	91,570,857	105,446,634	151,231,690	185,927,780

- 8.2 As at 31 December 2006 and 2005, the balances of financial lease contract receivables (net of unearned interest income) and allowance for doubtful accounts are classified by aging as follows: -

(Unit: Baht)

Aging	Consolidated and the Company Only						Percentage allowance set up by the Company	Financial lease contract receivables - net	
	2006	2005	Financial lease contract receivables	2006	2005	advance for purchase of option and guarantee deposits		2006	2005
Financial lease contract receivables									
Not yet due to past due									
not exceeding 7 days	143,930,112	180,202,896	(40,089,760)	(44,176,292)	103,840,352	136,026,604	0.5	(519,202)	(680,133)
Past due									
over 7 - 90 days	1,995,999	562,011	(170,000)	(93,458)	1,825,999	468,553	1	(18,260)	(4,686)
over 90 - 180 days	-	2,181,769	-	-	-	2,181,769	20	-	(436,354)
over 180 days	9,223,045	21,783,939	(7,104,097)	(7,104,098)	2,118,948	14,679,841	100	(2,118,948)	(14,679,841)
Receivables under litigation	11,061,721	11,659,071	-	-	11,061,721	11,659,071	100	(11,061,721)	(11,659,071)
Total	166,210,877	216,389,686	(47,363,857)	(51,373,848)	118,847,020	165,015,838		(13,718,131)	(27,460,085)
Less: Allowance for doubtful accounts								(1,261,056)	(3,001,821)
Add: Advance for purchase of option and guarantee deposits								-	-
Financial lease contract receivables - net								(14,979,187)	(30,461,906)
								47,363,857	51,373,848
								151,231,690	185,927,780

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



## 9. SHORT-TERM LOANS TO UNRELATED PARTIES

These short-term loans were provided to used car distributors. They are secured by the cars, and subject to interest at the rate of 12 – 15 percent per annum.

During the year, movements in the balances of loans to unrelated parties were as follows: –

(Unit: Baht)

	Consolidated and the Company Only		
	31 December 2005	Increase	Decrease
Short-term loans	9,653,500	63,633,203	(54,910,203)
			18,376,500

## 10. RESTRICTED INVESTMENTS

Details of the restricted investments of the Company and its subsidiaries are as follows: –

- 10.1 As at 31 December 2006 and 2005, a promissory note of Baht 15 million has been pledged to secure the Company's debt service reserve account under the Replacement Restructuring Agreement and a promissory note of Baht 65 million has been pledged to secure a forward purchase contract with the TMB Bank Public Company Limited. However, the promissory note of Baht 65 million was retired on 2 October 2006, due to the cancellation of the forward purchase contract, as discussed in Note 19.
- 10.2 As discussed in Note 18, under the terms of issue of the debentures of a subsidiary (Auto Receivables SPV Company Limited) the subsidiary has to provide reserve accounts for tax payment, fees, expenses, interest expense on the debentures and debenture redemption. As at 31 December 2006 and 2005, the outstanding balances of such reserve accounts are Baht 178 million and Baht 202 million, respectively.
- 10.3 As discussed in Note 16, the Company has entered into a Conditional Assignment of Account and Escrow Agreement with Standard Bank Asia Limited and an overseas bank in Thailand, whereby it is to deposit cash receipts from eligible hire purchase receivables (as discussed in Note 7.3) to the Company's bank accounts opened with the overseas bank. The Company has agreed to transfer its rights to withdraw funds from these bank accounts to Standard Bank Asia Limited. As at 31 December 2006, the balances of these bank accounts total Baht 39 million.



## 11. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

These represent investments in ordinary shares in the following subsidiary companies.

(Unit: Baht)

Company's name	The Company Only									
	Paid-up capital		Shareholding		Cost		Carrying amounts based		Dividend	
			percentage				on equity method			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
			(Percent)	(Percent)						
Subsidiaries										
Scan Transport Service										
Limited	60,000,000	60,000,000	99.99	99.99	60,000,000	60,000,000	50,921,902	44,919,687	-	-
Scan AMC Co., Ltd.	600,000,000	600,000,000	99.99	99.99	600,000,000	600,000,000	-	-	-	-
Auto Receivables SPV										
Company Limited	2,600	2,600	100.00	100.00	2,600	2,600	4,764,626	15,222,544	-	-
Total					660,002,600	660,002,600	55,686,528	60,142,231	-	-
Less: Allowance for impairment					(600,000,000)	(600,000,000)				
Net					60,002,600	60,002,600				

## 12. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit: Baht)

	Consolidated		The Company Only		Transfer pricing policy
	2006	2005	2006	2005	
<b>Transactions with subsidiary companies</b>					
(eliminated from consolidated financial statements)					
Hire purchase and financial					
lease interest income	-	-	103,671	544,836	Market price
Service income	-	-	1,440,000	2,700,000	Baht 0.15 million per month for the year 2006 and Baht 0.3 million per month for the year 2005
Interest income	-	-	11,580,000	11,006,575	5.5 percent per annum
Other income	-	-	3,000,000	2,991,758	Baht 0.25 million per month
<b>Transactions with related company</b>					
Interest income	1,206,233	-	-	-	8 - 12 percent per annum

The balances of accounts as at 31 December 2006 and 2005 between the Company and those related companies are as follows: -

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<b>Hire purchase contract receivables</b>				
<b>- net of unearned interest income</b>				
(eliminated from consolidated financial statements)				
Scan Transport Service Ltd.	-	-	291,414	3,417,553
<b>Short-term loans to related parties</b>				
SMC Motors Plc.	14,903,472	-	4,903,472	-
Scan AMC Co., Ltd.				
(eliminated from consolidated financial statements)				
Auto Receivables SPV Co., Ltd.	-	-	11,600,000	11,600,000
(eliminated from consolidated financial statements)				
	-	-	200,000,000	-
<b>Total</b>	14,903,472	-	216,503,472	11,600,000
Less: Allowance for doubtful accounts	-	-	(12,761,661)	(11,600,000)
<b>Net</b>	14,903,472	-	203,741,811	-



(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<b>Receivables from related parties</b>				
SMC Motors Plc.	6,781	-	-	-
Scan AMC Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	49,601,411	49,021,411
Auto Receivables SPV Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	3,045,413	4,218,504
<b>Total</b>	<b>6,781</b>	<b>-</b>	<b>52,646,824</b>	<b>53,239,915</b>
Less: Allowance for doubtful accounts	-	-	(49,601,411)	(49,021,411)
<b>Net</b>	<b>6,781</b>	<b>-</b>	<b>3,045,413</b>	<b>4,218,504</b>
<b>Long-term loan to related party</b>				
(eliminated from consolidated financial statements)				
Auto Receivables SPV Co., Ltd.	-	-	-	200,000,000
Less: Allowance for doubtful accounts	-	-	-	(4,534,504)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,465,496</b>
<b>Trade accounts payable - related parties</b>				
SMC Motors Plc.	199,471	8,835,817	199,471	8,835,817
Auto Receivables SPV Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	7,555,139	7,041,813
<b>Total</b>	<b>199,471</b>	<b>8,835,817</b>	<b>7,754,610</b>	<b>15,877,630</b>

During the year 2006, movements in the balances of loan to related parties were as follows:

(Unit: Baht)

	Consolidated			
	31 December 2005	Increase	Decrease	31 December 2006
<b>Short-term loans to related party</b>				
SMC Motors Plc.	-	32,952,883	(18,049,411)	14,903,472

(Unit: Baht)

	The Company Only				
	31 December 2005	Increase	Decrease	Transfer in (out)	31 December 2006
<b>Short-term loans to related parties</b>					
SMC Motors Plc.	-	12,952,883	(8,049,411)	-	4,903,472
Scan AMC Co., Ltd.	11,600,000	-	-	-	11,600,000
Auto Receivables SPV Co., Ltd.	-	-	-	200,000,000	200,000,000
Total	11,600,000	12,952,883	(8,049,411)	200,000,000	216,503,472
Less: Allowance for doubtful accounts	(11,600,000)	-	-	(1,161,661)	(12,761,661)
Net	-	12,952,883	(8,049,411)	198,838,339	203,741,811
<b>Long-term loan to related party</b>					
Auto Receivables SPV Co., Ltd.	200,000,000	-	-	(200,000,000)	-
Less: Allowance for doubtful accounts	(4,534,504)	-	3,372,843	1,161,661	-
Net	195,465,496	-	3,372,843	(198,838,339)	-

The Company charged interest on hire purchase and financial lease contracts with related parties at market rates, given same timing, terms, guarantee deposits and type of assets.

The Company has granted short-term loans amounting to Baht 4.9 million to SMC Motors Plc. The loans are secured by cars, and subject to interest at a rate of 12 percent per annum.

A subsidiary company has granted a short-term loan amounting to Baht 10 million to SMC Motors Plc. The loan has no collateral, and is subject to interest at a rate of 8.25 percent per annum.

### **Auto Receivables SPV Company Limited**

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 as a special purpose vehicle under the Securitization Law, approved by the Securities and Exchange Commission on 9 August 2004, for the securitization of rights of claim under hire purchase contracts. The significant agreements between the Company and Auto Receivables SPV Company Limited are as follows: -



### (a) Asset Sale Agreement

The Company agreed to sell the rights of claim under 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 were received prior to 31 December 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 percent per annum.
- The outstanding balance of principal under 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 percent of the rights sold by value as at the Cut-off date, should be in respect of hire purchase contracts for used vehicles.

A summary of significant information on assigned rights of claim under hire purchase contracts is as follows:

- The book value of outstanding principal on the Cut-off date was Baht 1,000,033,126.
- There 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 percent per annum.
- The overdue period of the majority of the assigned rights is between 0-9 days.

Under the Asset Sale Agreement for rights of claim under hire purchase contracts with Auto Receivables SPV Company Limited, during the Securitization Plan there will be no additional sales or repurchases of the assigned rights, except that: -

- If the assigned rights are not eligible receivables as set out in the Asset Sale Agreement, the Company has to repurchase such assigned rights at their net book values (rights of claim under hire purchase contracts less unearned interest income), or
- If any assigned rights become Non Performing Assigned Rights, which means payment of an amount due for more than 120 days has not been made, the repurchase price will be the net book value (rights of claim under 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 bought back Non Performing Assigned Rights with net book values totaling Baht 8.7 million for the year ended 31 December 2006. As at 31 December 2006, the outstanding balance of Non Performing Assigned Rights amounted to Baht 3.3 million (31 December 2005: Baht 4.9 million).

As at 31 December 2006, the aggregate outstanding balances of assigned rights sold to Auto Receivables SPV Company Limited serviced by the Company was Baht 73 million (31 December 2005: Baht 309 million).

### **(b) Servicing Agreement**

The Servicing Agreement was made between Auto Receivables SPV Company Limited (the Hirer and Issuer of Debentures), the Company (the Servicer) and Kasikorn Bank Public Company Limited (the Back-up Servicer) to stipulate the responsibilities of the service in respect of the collection of hire purchase receivables on behalf of the Issuer and the remittance of collected funds into the dedicated bank account of the Issuer, as well as the provision of other functions, such as administration services (i.e. maintaining records of all receipts and reporting on all collections), and other administration services relating to the assigned rights. The service fee under this agreement is Baht 3 million per year and if the Servicer is unable to perform the collection functions due to the occurrence of circumstances as set out in the agreement, the Back-up Servicer shall immediately become the temporary Servicer until a successor has been appointed.

### **(c) 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) granting a loan of Baht 215 million with interest at 3 percent per annum. The principal and interest are due in six months, with repayments separated into two parts as follows: –

- Principal of Baht 15 million and all interest will be paid from the proceeds from collections of the rights of claim under hire purchase contracts.
- Principal of Baht 200 million was converted to a Subordinated Long-Term Loan of Baht 200 million, in February 2005, with the Company entering into the Subordinated Long-Term Facility Agreement on 10 February 2005. The loan bears interest at a rate of 5.5 percent per annum, 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, and 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 2006, the Company provided allowance for loan losses equal to the allowance for doubtful assigned rights of Baht 1.2 million (31 December 2005: Baht 4.5 million).



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

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

### **Scan Transport Service Limited**

In addition, the Company has entered into a management agreement with Scan Transport Service Limited to provide assistance in terms of general business management advice, financial advice and advisory on operating, financial and management systems.

### **Directors and managements remuneration**

In 2006 the Company and its subsidiaries paid salaries, meeting allowance and gratuities to their directors and management totaling Baht 3.1 million (The Company only: Baht 3.1 million) (2005: Baht 3.6 million, The Company only: Baht 3.6 million).

## **13. PARTICIPATION IN RIGHTS OVER THE COMPANY’S DEBT**

The Company entered into two Fund Participation Agreements in order to participate in the rights over part of the loan debt of the Company which the counter parties bought from creditors under the Replacement Restructuring Agreement, as detailed below.

Agreement dated	Counter party	Participation value
2 December 2005	Asian Advisory Group Pte Ltd.	USD 2.94 million
3 August 2006	Variant Assets Capital Inc.	USD 6.37 million
Total		<u>USD 9.31 million</u>

The Company has recorded the transactions as participation in rights over the Company’s debt. The agreements should enable the Company to benefit when the counter parties receive payment of principal and interest from the Company as the borrower. The agreement is for 2 years, and can be extended with mutual agreement between the Company and counter parties. The Fund Participation Agreements are governed by, and shall be construed in accordance with, British law.



## 14. EQUIPMENT

(Unit: Baht)

	Consolidated		
	Vehicles	Furniture, fixtures and office equipment	Total
<b>Cost:</b>			
As at 31 December 2005	30,353,965	28,021,171	58,375,136
Additions	7,061,909	192,090	7,253,999
Disposals	(4,230,000)	(39,350)	(4,269,350)
As at 31 December 2006	33,185,874	28,173,911	61,359,785
<b>Accumulated depreciation:</b>			
As at 31 December 2005	16,102,368	25,840,555	41,942,923
Depreciation for the year	4,410,129	658,275	5,068,404
Depreciation on disposals	(4,229,998)	(39,349)	(4,269,347)
As at 31 December 2006	16,282,499	26,459,481	42,741,980
<b>Net book value:</b>			
As at 31 December 2005	14,251,597	2,180,616	16,432,213
As at 31 December 2006	16,903,375	1,714,430	18,617,805
<b>Depreciation for the year: (included in administrative expenses)</b>			
2005			4,893,421
2006			5,068,404

(Unit: Baht)

	The Company Only		
	Vehicles	Furniture, fixtures and office equipment	Total
<b>Cost:</b>			
As at 31 December 2005	28,079,636	27,181,695	55,261,331
Additions	7,061,909	192,090	7,253,999
Disposals	(4,230,000)	–	(4,230,000)
As at 31 December 2006	30,911,545	27,373,785	58,285,330
<b>Accumulated depreciation:</b>			
As at 31 December 2005	14,309,641	25,157,593	39,467,234
Depreciation for the year	3,955,262	604,775	4,560,037
Depreciation on disposals	(4,229,998)	–	(4,229,998)
As at 31 December 2006	14,034,905	25,762,368	39,797,273
<b>Net book value:</b>			
As at 31 December 2005	13,769,995	2,024,102	15,794,097
As at 31 December 2006	16,876,640	1,611,417	18,488,057
<b>Depreciation for the year: (included in administrative expenses)</b>			
2005			4,379,461
2006			4,560,037



As at 31 December 2006, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 29.6 million (2005: Baht 28.7 million) (The Company only: Baht 29.1 million 2005: Baht 28.1 million).

## 15. VEHICLES FOR LEASE

(Unit: Baht)

	Consolidated	The Company Only
<b>Cost</b>		
As at 31 December 2005	92,588,555	6,815,888
Disposals	(63,382,103)	(2,468,224)
As at 31 December 2006	29,206,452	4,347,664
<b>Accumulated depreciation</b>		
As at 31 December 2005	65,584,116	1,664,795
Depreciation for the year	9,507,604	674,520
Depreciation on disposals	(52,328,600)	(1,187,670)
As at 31 December 2006	22,763,120	1,151,645
<b>Net book value</b>		
As at 31 December 2005	27,004,439	5,151,093
As at 31 December 2006	6,443,332	3,196,019
<b>Depreciation for the year: (included in administrative expenses)</b>		
2005	20,706,526	800,000
2006	9,507,604	674,520

As at 31 December 2006, vehicles for lease of subsidiary with its net book value amounting to Baht 3.2 million are under hire-purchase contracts.

As at 31 December 2006, certain vehicles for lease items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 5.8 million (2005: Baht 1.2 million) (The Company only: None).

## 16. SHORT-TERM LOAN FROM FINANCIAL INSTITUTION

On 17 August 2006, the Company entered into a USD 3,825,000 Term Loan Facility Agreement with Standard Bank Asia Limited for the purpose of funding the Company's execution of the Fund Participation Agreement.

Details of the Term Loan Facility are as follows: –

Principal	USD 3,825,000
Interest payment	USD 143,437
Arrangement fee	USD 357,908
Term	one year from drawing date
Obligation repayment	repay Principal, Interest and Arrangement fee by four equal quarterly installments.

Settlement is to be made from proceeds from the selected eligible receivables, as discussed in Note 10.3, and the Company entered into additional agreements, comprising the Conditional Assignment of Receivables, Conditional Assignment of Account, Conditional Assignment of Rights under Participation Agreement and Escrow Agreement.

## 17. LIABILITIES UNDER HIRE PURCHASE CONTRACTS

(Unit: Baht)

	Consolidated			
	Portion due within one year		Portion due over one year	
	2006	2005	2006	2005
Liabilities under hire purchase contracts	335,804	4,380,905	–	335,804
Less: Deferred interest expense	(6,718)	(118,082)	–	(6,718)
Net	329,086	4,262,823	–	329,086



## 18. DEBENTURES

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

Series 1: 650,000 units of amortising debentures to be paid from the cash flows from rights of claim under hire purchase contracts were issued with a face value of Baht 1,000 per unit a total of Baht 650 million. The debentures have a tenor of 2 years 5 months, and bare interest at a fixed rate of 4 percent per annum. The payment dates for the debentures are as follows: -

Due date	Repayment amount (Million Baht)
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
	<hr/>
	650

Series 2: 150,000 units of amortising debentures to be paid with the cash flows from the rights of claim under hire purchase contracts in order of priority (which is linked to the Series 1 debentures) were issued with a face value of Baht 1,000 per unit, a total of Baht 150 million. These debentures have a tenor of four years, maturing on 16 August 2008, and carry interest at a fixed rate of 4.80 percent per annum. However, the subsidiary may make early payment of the principal by making payment on the stipulated payment dates of the Series 1 debentures. In such cases, the amount paid is to be equal to the cash balance of the subsidiary on the first date of the month in which interest is to be paid, less the reserves for tax payment, fees, other expenses, interest expense on debentures, debentures, and the retention account for repayment of outstanding debt under the Asset Sale Agreement covering rights of claim under hire purchase contracts, as discussed in Note 10.2, and after deducting an additional Baht 10,000. During the year 2006, the subsidiary made full payment of the Series 2 debentures.

Interest on the Series 2 debentures was payable every 3 months, with first interest payment due and paid on 28 October 2004.

Under the conditions of issue of the debentures, Auto Receivables SPV Company Limited has to provide reserve accounts for tax payment, fees, other expenses, interest on the debentures, and debenture payment, and a retention account for repayment of outstanding debt under the Asset Sale Agreement for rights of claim under hire purchase contracts. However, as at 31 December 2006, the subsidiary had no outstanding debt under the Asset Sale Agreement.

Outstanding balances of debentures as at 31 December 2006 and 2005 were as follows: –

(Unit: Baht)

	Consolidated					
	Portion due within one year		Portion due over one year		Total	
	2006	2005	2006	2005	2006	2005
Debentures: series 1	52,000,000	234,000,000	–	52,000,000	52,000,000	286,000,000
Debentures: series 2	–	13,500,000	–	–	–	13,500,000
Total	52,000,000	247,500,000	–	52,000,000	52,000,000	299,500,000

Movements in the debenture account during the year 2006 are summarised below.

(Unit: Baht)

	Consolidated
Balance as at 1 January 2006	299,500,000
Less: Repayment	(247,500,000)
Balance as at 31 December 2006	52,000,000



## 19. DEBT UNDER REPLACEMENT RESTRUCTURING AGREEMENT

Consolidated and the Company Only				
	2006		2005	
	Foreign currency (USD)	Baht equivalent (Baht)	Foreign currency (USD)	Baht equivalent (Baht)
Debt under Replacement Restructuring Agreement consists of 2 currencies:				
USD	18,315,111	663,571,115	18,683,048	770,016,555
Thai Baht		298,755,433		341,068,244
Total		962,326,548		1,111,084,799
Less: Current portion		(398,907,062)		(206,999,876)
Net		563,419,486		904,084,923

Movements in the debt under Replacement Restructuring Agreement account during the year 2006 are summarised below.

		(Unit: Baht)
		Consolidated and the Company Only
Balance as at 1 January 2006		1,111,084,799
Less: Repayment		(55,996,279)
Less: Unrealised gain on exchange		(52,890,720)
Less: Gain on purchase of currency forward contract		(39,871,252)
Balance as at 31 December 2006		962,326,548

Significant details of liabilities under the Replacement Restructuring Agreement (RRA) dated 21 March 2003 were as follows: -

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

b) Interest is payable on a quarterly basis at the rates as follows: –

Loan	Period between 2003 – 2005	Period between 2006 – 2007	Period between 2008 – 2009
Baht 355.2 million	Fixed at 4 percent, MLR – 3.5 percent	MLR – 2.0 percent	MLR – 1.0 percent or MLR – 2.0 percent *
USD 18.8 million	LIBOR + 0.625 percent	LIBOR + 1.5 percent	LIBOR + 2.5 percent or LIBOR + 1.5 percent *

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

The Company has paid interest and principal due to lenders in accordance with the terms of the RRA, except for those portions of the interest and principal due which have been transferred by the former lenders to four creditors since the Company's Management believe that those new creditors may not qualify as creditors under the RRA. The Company has not opened an escrow account into which such interest and principal will be paid pending final resolution with those creditors. The Company does not consider this delay in payment to be an event of default under the RRA. As at 31 December 2006, principal payable to such lenders totaling Baht 133.1 million, was recorded as the current portion of the debt while interest payable has been accrued in the financial statements at the normal rates prescribed in the RRA, and amounts to Baht 67 million. If, however, the delay in payment of interest were considered to be an event of default under the RRA, and the default interest rates were charged, the additional interest expense up to 31 December 2006 would be Baht 7.8 million.

As referred to in Note 13, the USD 9.31 million Fund Participation Agreements entitle the Company to participate in the rights over part of the Company's debt with a face value of USD 13.7 million which the counter parties bought from creditors under the Replacement Restructuring Agreement. At this time, it is not certain whether the Company's entry into these Fund Participation Agreements is in accordance with the terms of the RRA.

Under the RRA, the Company must comply with certain conditions, such as that the balance of Debt Service Reserve Account much in Baht be equal to at least twice the aggregate amount of interest (as at 31 December 2006 and 2005 this was secured by the pledge of promissory notes of approximately Baht 15 million, as discussed in Note 10.1), the ratio of borrowings to shareholders' equity shall not exceed 7:1, that the Company can pay out dividend from the Company's earnings starting from the year 2006, at a rate not exceeding 30 percent of its net profit, among others. The RRA is governed by, and shall be construed in accordance with British law.



In accordance with the conditions stipulated in the Replacement Restructuring Agreement, the Company is to enter into forward exchange contracts to purchase 50 percent of the foreign currency loan balances. As at 31 December 2005, the Company has hedged foreign exchange risk by entering into a USD 10.7 million forward purchase contract with the TMB Bank Public Company Limited, which was secured by the pledge of a promissory note of Baht 65 million, as discussed in Note 10.1.

During the year 2006, considering the increase in the stability of the Baht, the Company's participation in the rights over part of its debt denominated in US dollars, and the future expenses to cover the risk is higher than the potential currency risks, the Company, therefore decided to terminate this forward purchase contract.

## 20. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## 21. NUMBER OF EMPLOYEE AND RELATED COSTS

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees at end of year (persons)	81	83	74	76
Employee costs for the year (Million Baht)	56	54	54	52

## 22. CORPORATE INCOME TAX

The Company is not liable to corporate income tax for the year 2006 due to tax loss brought forward.

Corporate income tax for the year ended 31 December 2006 and 2005, as in the consolidated financial statements, were calculated on the net earnings of the subsidiary after adding back certain expenses and provisions not yet allowed for tax purposes.

## 23. BASIC EARNING PER SHARE

Basic earning per share is calculated by dividing the net income (loss) for the year by the weighted average number of ordinary shares in issue during the year.



## 24. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by TISCO Asset Management Co., Ltd., will be paid to employees upon termination in accordance with the fund rules. During the year 2006, the Company contributed Baht 3.7 million (2005: Baht 3.5 million) to the fund.

## 25. FINANCIAL INFORMATION BY SEGMENT

The majority of the operations of the Company and subsidiaries involve the single business segment of hire purchase and rent service of cars, and is carried on in a single geographic area, Thailand. As a result, all revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry and geographic area.

## 26. COMMITMENTS

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

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Non-cancellable operating lease commitments				
Within 1 year	7,227,000	2,172,000	7,163,520	1,961,000

b) Commitments under vehicle rental agreements are as follows: –

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Non-cancellable operating lease commitments				
Within 1 year	–	2,259,000	–	2,145,000



## 27. SUBSEQUENT EVENTS

On 16 January 2007, the Company entered into Fund Participation Agreements with Variant Assets Capital Inc., with contract amounts totalling Baht 50 million, in order to participate in the rights over loans of the Company amounting to Baht 73 million, which the counter party purchased from a creditor under the Replacement Restructuring Agreement. The agreements should enable the Company to benefit when the counter party receives payment of principal and interest from the Company as the borrower. The agreement is for 2 years, and can be extended with the mutual consent of the parties to it. The Fund Participation Agreements are governed by, and shall be construed in accordance with, British law.

## 28. FINANCIAL INSTRUMENTS

### 28.1 Financial risk management

The financial instruments of the Company and its subsidiaries, as defined under Thai Accounting Standard No. 48 “Financial Instruments: Disclosure and Presentations”, principally comprise cash and cash equivalents, rights of claim under hire purchase contracts, hire purchase receivables, financial lease contract receivables, loans, restricted investments, short-term loans, debentures and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to rights of claim under hire purchase contracts, hire purchase receivables, financial lease contract receivables, loans, and restricted investments. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company and its subsidiaries do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of those assets as stated in the balance sheet.

#### Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relate primarily to their cash at financial institutions, rights of claim under hire purchase contracts, hire purchase receivables, financial lease contract receivables, loans, restricted investments, short-term loan from financial institution debentures and long-term borrowings.

Significant financial assets and liabilities as at 31 December 2006 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

### Consolidated

	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Effective interest rate (% p.a.)
	Within		Over				
	1 year	1-5 years	5 years				
	(Baht)						
<b>Financial assets</b>							
Cash and cash equivalents	211,001,895	-	-	77,101,230	12,569,009	300,672,134	3.6015
Rights of claim under hire purchase contracts - net	67,728,334	3,957,789	-	-	-	71,686,123	6.8748
Hire purchase receivable - net	402,727,732	478,217,290	-	-	-	880,945,022	6.6991
Financial lease contract receivables	59,660,833	91,570,857	-	-	-	151,231,690	5.5902
Short-term loans to related party - net	14,903,472	-	-	-	-	14,903,472	5.7663
Short-term loans to unrelated parties	18,376,500	-	-	-	-	18,376,500	13.2244
Restricted investments							
Deposits at financial institutions	-	-	-	98,382,593	39,100,869	137,483,462	0.5000
Promissory notes	15,000,000	-	-	-	-	15,000,000	3.5000
Bill of exchange	9,835,074	-	-	-	-	79,835,074	4.7200
<b>Financial liabilities</b>							
Short-term loan from financial institution	88,398,978	-	-	-	-	88,398,978	7.8197
Debentures	52,000,000	-	-	-	-	52,000,000	4.0000
Debt under Replacement Restructuring Agreement	-	-	-	962,326,548	-	962,326,548	6.6275

### The Company Only

	The Company Only						
	Fixed interest rates			Floating Interest rate	Non- interest bearing	Total	Effective interest rate
	Within 1 year	Over 1-5 years	Over 5 years				
	(Baht)			(% p.a.)			
<b>Financial assets</b>							
Cash and cash equivalents	210,385,669	-	-	39,968,677	11,577,333	261,931,679	4.0673
Hire purchase receivable – net	403,019,146	478,217,290	-	-	-	881,236,436	6.6991
Financial lease contract receivables – net	59,660,833	91,570,857	-	-	-	151,231,690	5.5902
Short-term loans to related party – net	203,741,811	-	-	-	-	203,741,811	5.6555
Short-term loans to unrelated parties	18,376,500	-	-	-	-	18,376,500	13.2244
Restricted investments							
Deposits at financial institutions	-	-	-	-	39,073,842	39,073,842	-
Promissory notes	15,000,000	-	-	-	-	15,000,000	3.5000
<b>Financial liabilities</b>							
Short-term loan from financial institution	88,398,978	-	-	-	-	88,398,978	7.8197
Debt under Replacement Restructuring Agreement	-	-	-	962,326,548	-	962,326,548	6.6275



### Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from having asset and borrowings that are denominated in foreign currencies. The Company has not been entering into forward exchange contracts to reduce this risk.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2006 are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate
			As at 31 December 2006 (Baht per 1 foreign currency unit)
USD	9.7	20.7	36.0455

## 28.2 Fair values of financial instruments

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

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

## 29. RECLASSIFICATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications.

## 30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 21 February 2007.