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GENERAL INFORMATION

COMPANY **Scandinavian Leasing Public Company Limited**

	20 th Floor, Two Pacific Place 142 Sukhumvit Road Kweang Klongtoey, Khet Klongtoey Bangkok 10110 www.scanleasing.co.th
Type of Business	Hire purchase and leasing
Registration No.	0107537002281
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

	20 th Floor, Two Pacific Place 142 Sukhumvit Road Kweang Klongtoey, Khet Klongtoey Bangkok 10110
Type of Business	Operating lease with maintenance service
Registration No.	0105540053761
Telephone	02 6532533-49
Facsimile	02 6532531-2
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
Current Status	No business expansion

SCAN AMC Company Limited

	20 th Floor, Two Pacific Place 142 Sukhumvit Road Kweang Klongtoey, Khet Klongtoey Bangkok 10110
Type of Business	To manage assets transferred from creditors of <i>Scandinavian Leasing</i>
Registration No.	0105543085361
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
Current Status	No business transactions

GENERAL INFORMATION

	Auto Receivables SPV Company Limited
	20 th 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 <i>Scandinavian Leasing</i>
Registration No.	0105547060088
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
Current Status	Securitization Project terminated on January 29, 2007

OTHER REFERENCES SECURITY REGISTRAR

	Thailand Securities Depository Company Limited
	4 th 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 rd Floor, Lake Rajada Office Complex 193/136-137 Rajadapisek Road Kweang Klongtoey, Khet Klongtoey Bangkok 10110
Telephone	02 2640777
Facsimile	02 2640789-90

REPORT OF THE BOARD OF DIRECTORS

To the Shareholders,

Despite increased competition from finance and leasing companies supported by banks which has depressed interest lending rates in the market, Scandinavian Leasing Public Company Limited again reluctantly continued extending a very limited volume of hire purchase and lease financing for automobiles in 2007. Scan's limited sources of funds and high funding cost make it impossible for the Company to compete with the other financing operations. The Company also took a very conservative approach to the approval of automobile financing in order to minimize bad debts and instead focused on efficient debt collection and chose to keep its cash for other business diversification opportunities.

The Company concluded negotiations with its lenders in the second quarter of the year, obtaining approval from the majority of lenders to change some significant conditions of the Replacement Restructuring Agreement which enabled the Company to buy back Company debt in its own name at a discount, to enter into businesses other than automobile financing, and to pay dividends from profits. In June 2007 the Company bought back debt with a face value of US Dollars 16.4 million and Baht 73 million respectively at a discount from lenders. This debt buy-back generated Baht 277 million profit for the Company permitting the Company to make two interim dividend payments to shareholders (paid in October and November).

While searching for new core business to replace its original business of vehicle financing, the Company took steps to reduce its expenses in line with the significant decline of its business turnover by reducing the number of staff by 35% during the period and reducing rented office area by 35% at the end of the year. The Company also made a serious effort to increase its revenues by concentrating on businesses giving better returns than automobile financing, such as providing a loan facility to a property project in Phuket and floor plan financing to car dealers.

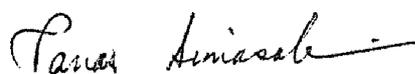
During 2007, the new automobile hire purchase and leasing business written was only Baht 157 million, 62% down from the prior year while the floor plan financing and loan facility to the property project totaled Baht 102 million, up 33% from the prior year. From the consolidated financial statement at year-end, cash totaled Baht 406 million, up 35% from last year, while net receivables dropped 37% to Baht 709 million and total assets went down 43% to Baht 1,165 million. The Company's total loans dropped 79% to only Baht 201 million as a result of the debt buy-back mentioned above. Interest income from hire purchase, financial leases, rental and service income also all went down. Exchange gains and reversal of allowance for doubtful accounts were significantly lower than last year, while expenses, except interest expense, increased slightly.

REPORT OF THE BOARD OF DIRECTORS

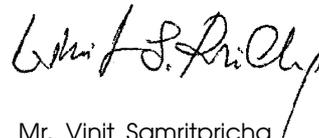
Overall the Company made a loss of Baht 55 million from normal activities compared to a loss of Baht 3 million of last year. But the gain enjoyed from debt buy-back at a discount helped to generate a net profit of Baht 184 million for the Company (or Baht 3.07 per share) compared to a Baht 0.05 loss per share last year. Shareholders' equity after the payment of the interim dividends increased to Baht 910 million. Book value per share stood at Baht 15.17 compared to Baht 13.60 a year before.

During the period, Management considered a number of other core business options, which were expected to give better returns than the Company's traditional core business of automobile financing. The opportunities reviewed included property development, hotel business and a joint venture with a construction company. Progress in development of any of these other core businesses by the Company will be announced to shareholders via the Stock Exchange of Thailand.

The Board would like to express its appreciation for the kind support from the shareholders and all related parties and to thank the management and the staff for their continued devotion to their works. We hope to continue to receive good cooperation from all involved parties again in the coming year.



Professor Dr. Panas Simasathien
Chairman



Mr. Vinit Samritpricha
Managing Director

REPORT OF THE AUDIT COMMITTEE

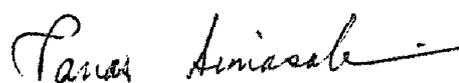
To the Shareholders,

In the year 2007, the Board of Directors appointed the Audit Committee which comprised three non-executive directors, Prof. Dr. Panas Simasathien, Chairman of the Audit Committee, and Prof. Dr. Tassadej Arunsmith and Assoc. Prof. Pises Sethsathira, members of the Audit Committee, for another term.

The Audit Committee conducted their duties according to the Audit Committee Charter 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; reviewing of the Company's operations to ensure that they are conducted transparently, effectively, and efficiently within an appropriate internal control system and that they comply with all laws and rules and regulations of the regulatory authorities, recommending the Board of Directors and management to comply with Good Corporate Governance Policy 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 2007, the Audit Committee met four times to review the Company's quarterly financial reports including the disclosure of transactions with related companies, and review the annual financial reports with the Independent Auditor, and with the Management to discuss the financial reporting process, internal control and the compliance with laws, rules and regulations. The Audit Committee also recommended the Board of Directors and management to adopt and implement the Good Corporate Governance practices as outlined by The Stock Exchange of Thailand for the listed companies such as facilitating the opportunity for shareholders to propose names of candidates for directorship and any other issues in advance for discussion or consideration in the Annual General Meeting in accordance with the equitable treatment of shareholders principle.

The Audit Committee also reviewed the Company's financial reports for the year ended December 31, 2007 together with the Management and the Independent Auditor and was of the opinion that such reports present full and fair financial positions and operating results together with the disclosure of the transactions with related companies of the Company in conformity with generally accepted accounting principles. The Audit Committee recommended that the Board of Directors appoint Mrs. Kesree Narongdej or Mrs. Natsarak Sarochnunjeen of *A.M.T. & Associates* as the Company's Independent Auditor for the financial year 2008, subject to the approval of shareholders at the Annual General Meeting.



(Prof. Dr. Panas Simasathien)
Chairman of the Audit Committee

February 20, 2008

RATIO ANALYSIS

	2007	2006	2005
PROFITABILITY RATIO			
Operating Income Margin (Operating Lease)	3.9%	(9.3%)	5.9%
Interest Income Margin	6.7%	6.5%	6.9%
Interest Expense Margin	3.7%	3.5%	5.0%
Interest Margin	3.1%	3.0%	1.9%
Net Profit Margin	165.4%	(1.6%)	(17.4%)
Return on Equity	21.3%	(0.3%)	(3.9%)
EFFICIENCY RATIO			
Return on Assets	11.4%	(0.1%)	(1.2%)
Asset Turnover	6.9%	7.7%	7.1%
FINANCIAL RATIO			
Debt to Equity	0.28	1.52	1.87
Receivables to Debt	1.35	1.10	1.10
Dividend Ratio	0.0%	0.0%	0.0%
PER SHARE DATA & GROWTH RATIO			
Per Share Data			
Book Value	15.17	13.60	13.65
Earning per Share	3.07	(0.05)	(0.54)
Dividend Payout	0.00	0.00	0.00
Growth Ratio			
Total Assets	(43.4%)	(12.3%)	(18.5%)
Total Liability	(79.5%)	(18.6%)	(24.7%)
Income from Sales and Services	(34.7%)	(7.9%)	(14.6%)
Operating Costs & Administrative Expenses	(3.2%)	(10.8%)	(33.9%)
Net Income (Loss)	6,786.24%	91.5%	(62.5%)

FIVE-YEAR SUMMARY

(unit : thousand baht)

	2007	2006	2005	2004	2003
BALANCE SHEET					
Cash on Hand and in Banks & Short-Term Investments	405,782	300,672	234,478	516,235	84,233
Receivables – Net from Unearned Interest Income	678,095	1,131,587	1,671,611	1,966,175	1,833,017
Allowance for Doubtful Accounts	(24,905)	(27,725)	(53,337)	(80,083)	(106,995)
Receivables – Net	653,190	1,103,862	1,618,274	1,886,092	1,726,022
Allowance for Doubtful Accounts/Receivables					
– Net from Unearned Interest Income	3.67%	2.45%	3.19%	4.07%	5.84%
Total Assets	1,165,146	2,060,133	2,348,564	2,882,185	2,135,244
Short-Term Debt and Long-Term Debt	200,861	1,102,725	1,410,585	1,855,558	1,106,858
Shareholders' Investment	910,206	816,275	819,026	851,273	871,113
REVENUES AND EXPENSES					
Income from Hire-Purchase Contracts	52,855	66,607	71,224	72,224	114,034
Income from Financial Lease Contracts	5,886	8,008	10,747	12,697	18,202
Income from Rights over Hire-Purchase Contracts	434	13,333	38,633	33,063	–
Income from Rental and Service	2,471	10,766	27,781	49,809	70,746
Interest Income & Others	34,544	41,899	41,356	44,687	31,722
Reversal of Doubtful Accounts/(Doubtful Accounts)	4,305	27,985	18,225	29,030	18,374
Total Revenue	100,495	168,598	207,966	241,510	253,078
Interest Expenses and Financial Charges	39,012	73,382	67,203	44,865	33,157
Operating Costs and Administrative Expenses	131,606	127,447	156,848	214,397	195,434
Loss/(Gain) on Exchange Rate	(15,027)	(29,761)	15,175	(4,224)	(28,523)
Income/(Loss) before Income Tax & Extraordinary Item	(55,096)	(2,470)	(31,260)	(13,528)	53,010
Extraordinary Item	239,026	–	–	4,982	–
Income Tax	–	281	987	6,312	–
Net Income/(Loss)	183,930	(2,751)	(32,247)	(14,858)	53,010
OPERATIONS					
New Business Acquired – Hire Purchase					
Receivables	164,855	399,733	1,022,937	1,628,146	1,533,111
Equipment Cost	141,454	353,114	937,216	1,490,142	1,371,795
New Business Acquired – Financial Lease					
Receivables	17,635	62,730	73,299	119,794	108,054
Equipment Cost	15,412	54,577	65,370	105,838	95,942
New Business Acquired – Floor Plan					
	42,911	76,586	28,707	81,914	46,972
NUMBER OF EMPLOYEES	53	81	83	80	82

Scandinavian Leasing Public Company Limited (SCAN)

In the past year, the Company lessened its grants for hire-purchase and leasing which was unprofitable to the Company for it had high funding cost and limited fund in comparison with its competitors. There was also a higher risk incurred by stagnant economy. At present, the Company has attempted to look for opportunities to make profit from new businesses expected to operate in the future.

Factors Affecting the Business

- The fierce competition in hire-purchase business among the commercial banks which had low funding cost, coupled with the banks' efforts to find strategies to expand hire-purchase volumes via different channels, such as car showrooms and bank branches nationwide, special floor-plan terms for car dealers; various incentives offered to automobile dealers, co-operation with automobile dealers to offer occasional special sales promotion to increase sales figure, e.g., low down payment, low interest rates, longer instalment periods. These factors greatly helped expand the volume of hire-purchase, making other non-bank business operators and those having no bank as their major shareholder unable to compete in the market.
- Stagnant Economy. A number of factories had to close themselves down and lay off many workers. Gasoline prices kept on rising which had directly effects the higher cost in several industries. When added with political uncertainty and unstable stronger Baht value, the consumers' confidence descended respectively, causing them to hesitate on their buying decision and to cut down on unnecessary expenses. Thus the automobile sales figure in 2007 went down 7.5%, even though various special conditions for automobile financing were attempted by financial institutions throughout the year.

Scan Transport Service Limited (STSL)

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

The performance in 2007 could be summarized as follows:

1. Total assets of Baht 53 million, which was up from last year, comprised
 - 1.1 Cash and cash equivalents amounting to Baht 47 million or 87% of the total assets, an increase of Baht 10 million from the prior year, derived from lease collection.
 - 1.2 Leased cars and replacement cars in the amount of Baht 0.5 million, declined 85% from Baht 3 million of the previous year, for *STSL* had stopped expanding its business, and handled only the sales of the expired leased cars. The Company currently had in remain 3 operating lease contracts, totaling Baht 0.5 million.
 - 1.3 The short-term loan to *SMC* would be due on April 2, 2008; the interest rate was at the MLR (of four commercial banks in average) plus 0.5% and to be paid monthly. Presently the balance stood at Baht 4 million with partial repayment in the course of the year.

2. *STSL's* hire purchase payable for the cars was totally paid up in the year 2007.
3. *STSL's* revenue totaled Baht 8 million, compared to Baht 23 million of the prior year, dropped by 66%, comprised
 - A rental income in the amount of Baht 1 million, compared to Baht 9 million of the year before, declined 84%, due to the decrease of receivables.
 - Profit from sales of leased cars was Baht 5 million, compared to Baht 12 million of last year, down 57%, resulting from the drop of expired leased cars.
4. Operating expenses amounting Baht 6 million, compared to Baht 42 million of the year before, dropped 64%, comprising the depreciation of leased cars as well as other related expenses, such as maintenance fee, insurance premium, registration fees, etc, which declined by 79%. The reduction of staff and office space also cut down 47% of the expense.
5. *STSL's* net profit was Baht 2 million or Baht 0.29 per share, compared to its Baht 1.0 per share profit in the prior year.

Scan AMC Company Limited (SAMC)

SAMC was established in the year 2000 with the objective to operate asset management by buying back the debts from the creditor banks of *SCAN* at a discount rate. The debt buy-back and the debt forgiveness to its parent company were completed in 2003. Therefore there was no more business transactions. At the end of the year, the book value of the company was Baht 0.01 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.

ARSPV'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, and the Company was the 100% shareholder of the common shares. *ARSPV* 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 its parent company which spent the amount as an additional working capital in hire-purchase business.

ARSPV's business operation under the Securitization Project ended in January of 2007; the remaining bonds was repaid in full amount, the remaining rights over the hire-purchase contracts were transferred to its parent company as well as repaying the related transactions were made in line with the approved terms and conditions. At the end of year, *ARSPV* had an accumulated profit in the amount of Baht 4 million and its annual performance result was Baht 0.2 million.

NATURE OF BUSINESS

Revenues Structure Divided by Type of Business

Unit : Million Baht

Type of Business	Operated By	Shares Held	Profit					
			2007	%	2006	%	2005	%
Hire-purchase Lease	<i>Scandinavian Leasing Public Company Limited</i>	100.00	53	87	67	69	72	49
Finance Lease	<i>Scandinavian Leasing Public Company Limited</i>	100.00	6	10	8	8	11	7
Operating Lease	<i>Scan Transport Service Limited</i>	99.99	1	2	9	9	26	18
Asset management	<i>Scan AMC Company Limited</i>	99.99	0	0	0	0	0	0
Rights over hire-purchase receivables	<i>Auto Receivables SPV Company Limited</i>	26.00	0.4	1	13	14	39	26
Total			148	100	97	100	60.4	100

SHAREHOLDERS

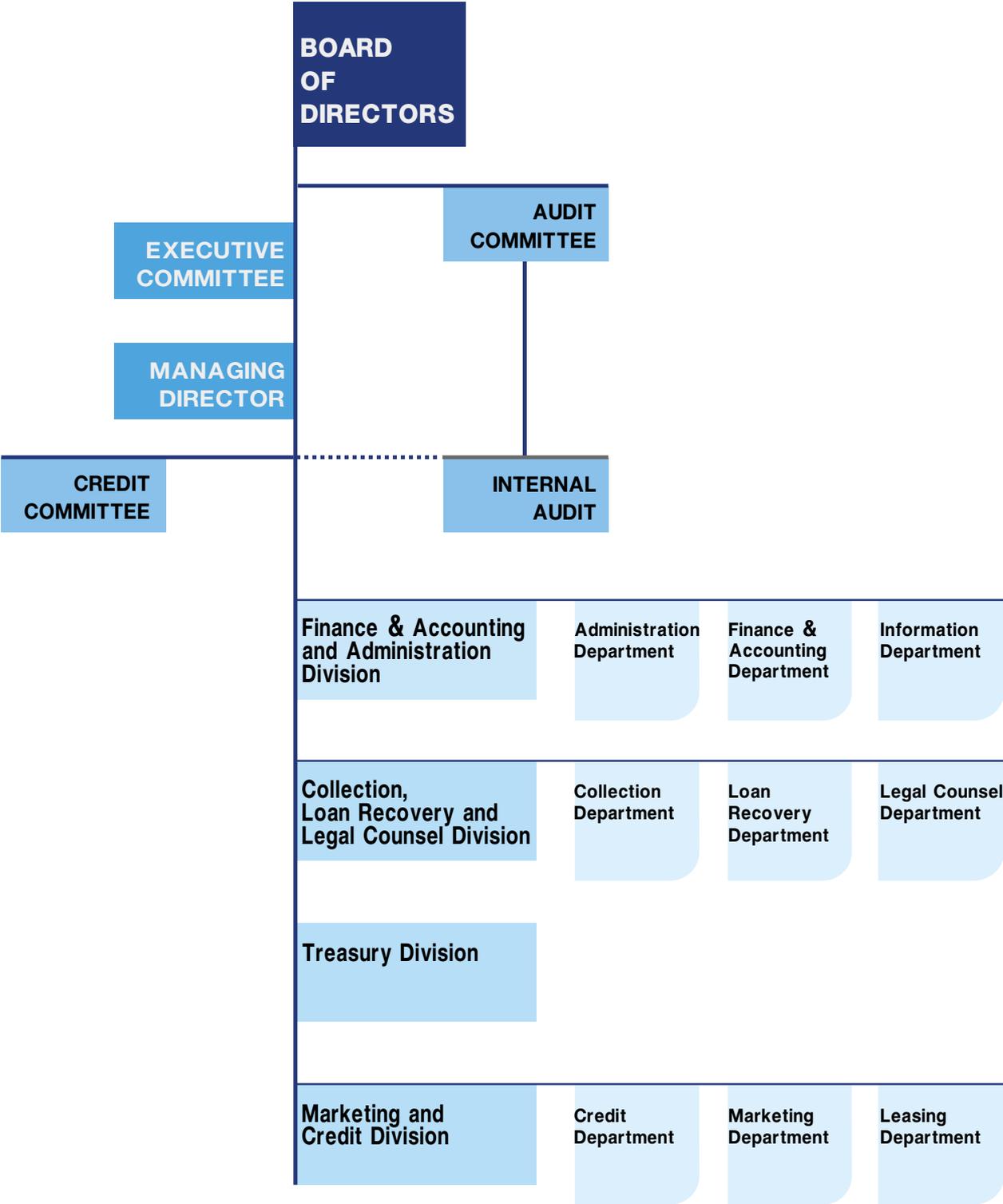
December 28, 2007

	Names	No. of Share	%
1.	SMC Motor Public Company Limited ⁽¹⁾	29,940,002	49.90
2.	Mr. Somsak Amornrattanachaikul	4,018,500	6.70
3.	Swedish Motors Parts & Supplies Company Limited	3,582,717	5.97
4.	Miss Nuchnapha Wongcharoensin	1,881,200	3.14
5.	Swene Holding B.V.	1,849,970	3.08
6.	Doctor Boonyong Sukprapruk	1,150,000	1.92
7.	Miss Somrudee Srijanya	684,200	1.14
8.	Mr. Manat Hemsathapad	512,000	0.85
9.	Mr. Thikumporn Arunngamwong	500,000	0.83
10.	DBS Bank A/C DBS Nominees	415,700	0.69
11.	Other Shareholders	15,465,711	25.78
	Total	60,000,000	100.00

(1) Major Shareholders of SMC Motors Public Company Limited

1.	NRC Business Company Limited	58.18%
2.	Thailand Securities Depository Company Limited (For Thai Depositors)	22.74%
3.	Thailand Securities Depository Company Limited (For Foreign Depositors)	14.20%
4.	Pamper Cloud Trading Company Limited	3.41%
5.	Mrs. Churairat E. Bonython	0.86%

ORGANIZATION CHART



Prof. Dr. Panas Simasathien

Chairman, Chairman of Audit Committee and Independent Director

Education : Ph.D. in Accounting, University of Illinois, USA
Certificate in Accountancy, Thammasat University
Directors Certification Program 2/2000,
Thai Institute of Directors Association

Other positions : Vice Chairman, *Saha Union PCL.*
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 held in the Company (as on December 28, 2007) : None

Mr. Simon E. Bonython

Vice Chairman and Chairman of Executive Committee

Education : Bachelor of Arts (Economics), University of Adelaide, Australia
Directors Certification Program 95/2007,
Thai Institute of Directors Association

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

Number of Shares held in the Company (as on December 28, 2007) : 1 share

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 PCL.*
Director, *NRC Business Co., Ltd.*

Number of Shares held in the Company (as on December 28, 2007) : None

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 held in the Company (as on December 28, 2007) : 12,001 shares

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 PCL.*

Chairman of Audit Committee, *Fancy Wood Industries PCL.*

Number of Shares held in the Company (as on December 28, 2007) : None

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 held in the Company (as on December 28, 2007) : None

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 : Legal Committee, *The Federation of Thai Industries*

Managing Director, *Trinity Advisory 2001 Co., Ltd.*

Number of Shares held in the Company (as on December 28, 2007) : None

Mr. Ralf Mikael Peter Wahrn

Director and Executive Committee*

(Appointed on 10 May 2007)

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 held in the Company (as on December 28, 2007) : None

Mr. Montree Tirakothai

Director*

(Appointed on 25 April 2007)

Education : Master's Degree in Mass Communication Administration (MCA 4),
Thammasat University

Master of Business Administration (EX-MBA 6), Kasetsart University

Certificate in Business Law (1), Thammasat University

Certificate in Public Law (1), Thammasat University

Director Certification Program 24/2002, Thai Institute of Directors Association

Director Accreditation Program 49/2005,

Thai Institute of Directors Association

Other positions : Chief Operation Officer, *International Research Corporation PCL.*

Director, *IT Distribution Co., Ltd.*

Chairman, *JMT Publishing Co., Ltd.*

Director, *International Software Development Co., Ltd.*

Director, *JMT Asset Management Co., Ltd.*

Director, *Intelligent Enterprise Computing Co., Ltd.*

Director, *Sorat Pattana Co., Ltd.*

Vice President, *Special Olympics Thailand*

Secretary General, *Listed Companies Association*

Advisor, *Committee of Thailand Investors Association*

Number of Shares held in the Company (as on December 28, 2007) : None

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 PCL.*
Director, *NRC Business Co., Ltd.*

Number of Shares held in the Company (as on December 28, 2007) : None

Ms. Puangthip Pinsuk

Assistant Managing Director

(Early retirement package on March 31, 2007)

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, *NRC Business Co., Ltd.*

Number of Shares held in the Company (as on December 28, 2007) : 23,000 Shares

Ms. Waraporn Makcum

Assistant Managing Director

(Early retirement package on March 31, 2007)

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 held in the Company (as on December 28, 2007) : None

Mr. Kirkchai Chaiyatham

General Manager - Collection, Loan Recovery and Legal Counsel
(Resigned on October 31, 2007)

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 held in the Company (as on December 28, 2007) : None

Mr. Athipat Cantaulis

Credit Manager

Education : Master in Business Administration, Ramkhamhaeng University

Other positions : -

Number of Shares held in the Company (as on December 28, 2007) : 8,000 Shares

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 held in the Company (as on December 28, 2007) : None

Mr. Kritpetch Srisuntisuk

Legal Counsel Manager

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

Other positions : -

Number of Shares held in the Company (as on December 28, 2007) : None

Mr. Prasert Sukcharoenchaikul

Marketing Manager

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

Other Positions : -

Number of Shares held in the Company (as on December 28, 2007) : None

Mr. Surachai Dhirasondhikul

Internal Audit Manager and Secretary to Audit Committee

Education : Master in Accounting, Chulalongkorn University

Master of Business Administration (English Program), Ramkamheang University

Certified Public Accountant (Thailand)

Other positions : -

Number of Shares held in the Company (as on December 28, 2007) : None

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

Board of Directors (nine members)

1. Prof. Dr. Panas Simasathien Chairman, Chairman of Audit Committee and Independent Director
2. Mr. Simon E. Bonython Vice Chairman and Chairman of Executive Committee
3. Mr. Vinit Samritpricha Managing Director and Executive Committee
4. Mr. Mats Anders Lundqvist Director and Executive Committee
5. Mr. Prasert Patradhilok Director and Executive Committee
6. Prof. Dr. Tassadej Arunsmith Independent Director and Member of Audit Committee
7. Asso. Prof. Pises Sethsathira Independent Director and Member of Audit Committee
8. Mr. Ralf Mikael Peter Wahn Director and Executive Committee*
9. Mr. Montree Tirakothai Director**

* Appointed on May 10, 2007

** Appointed on April 25, 2007

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 let the Board chose among themselves the chairman, vice chairman, managing director, and other positions, as 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 Audit Committee.
2. To set up policies and directions for the Company's operation, control the Management's operation and performance to be in line with the set policies, the laws, the Company's objectives and rules as well as the resolutions at the Annual General Meeting, with honesty and to the shareholders' benefit.
3. To set down operation policies in accordance with good corporate governance so that the Company's performance would grow continuously and steadily.
4. To disclose information accurately, completely, transparently and within the standard.

MANAGEMENT STRUCTURE

5. To have the authority and duty to appoint members of the Executive Committee and Audit Committee, and to designate and set up their extent of authority and duties so that the operation of the Company efficiently and effectively complies with its policies and objectives.
6. To hold the Annual General Meeting within four months after the end of the fiscal year and/or hold an extraordinary general meeting when one fifth of the shareholders requests for it.
7. To prepare the Balance Sheets and Profit and Loss Statements at the end of year to present at the Annual General Meeting 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
Prof. Dr. Panas Simasathien	11	11
Mr. Simon E. Bonython	11	11
Mr. Vinit Samritpricha	11	11
Mr. Mats Anders Lundqvist	11	11
Mr. Prasert Patradhilok	11	11
Prof. Dr. Tassadej Arunsmith	9	11
Asso. Prof. Pises Sethsathira	8	11
Mr. Ralf Mikael Peter Wahn	10	11
Mr. Montree Tirakothai	5*	9*

* during his term

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 an employee, staff, a consultant on payroll; nor a 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.

MANAGEMENT STRUCTURE

4. Not being a close relative of the Management / the major shareholders of the Company, its subsidiaries, and its affiliates.
5. Not being a person who might have conflict of interests.
6. Not being a nominee to protect the interests of the director with major shareholding.

Executive Committee (five members)

1. Mr. Simon E. Bonython Chairman of Executive Committee
2. Mr. Vinit Samritpricha
3. Mr. Mats Anders Lundqvist
4. Mr. Prasert Patradhilok
5. Mr. Ralf Mikael Peter Wahrn*

* Appointed on May 10, 2007

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 governance, management, control, setting 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 policies 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 important 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 5 to 15 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. Simon E. Bonython	13	13
Mr. Vinit Samritpricha	13	13
Mr. Mats Anders Lundqvist	13	13
Mr. Prasert Patradhilok	13	13
Mr. Ralf Mikael Peter Wahrn	7*	8*

* during his term

Audit Committee (three members)

1. Prof. 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 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 efficient.
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 submit for approval at the Annual General Meeting.
5. To consider the disclosure of information regarding related transactions or contradictory benefits is accurate and complete.
6. To prepare the Audit Committee's report signed by Chairman of the Audit Committee and to present 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
Prof. Dr. Panas Simasathien	4	4
Prof. Dr. Tassadej Arunsmith	3	4
Asso. Prof. Pises Sethsathira	4	4

Remark : The Independent Auditor attended the meeting with the Audit Committee once - 1/2007.

MANAGEMENT STRUCTURE

The Selection of Directors and the Management

The Board was responsible for the selection and appointment of directors and the Management.

Remuneration of Directors and the Management

1. Remuneration of Directors. 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.

Position	Number	Type	Remuneration in Cash	Other Remuneration
Director	9	Meeting fee and Remuneration	Baht 9.62 Million	-
Management	6	Salary and Bonus	Baht 22.06 Million	-

Remuneration (Meeting Fees and Remuneration) in 2007

	Name	Amount in Baht
1.	Prof. Dr. Panas Simasathien	1,809,471.00
2.	Mr. Simon E. Bonython	1,180,647.00
3.	Mr. Mats Anders Lundqvist	1,540,647.00
4.	Mr. Prasert Patradhilok	1,180,647.00
5.	Prof. Dr. Tassadej Arunsmith	1,012,647.00
6.	Asso. Prof. Pises Sethsathira	1,036,647.00
7.	Mr. Ralf Mikael Peter Wahrn	1,084,647.00
8.	Mr. Montree Tirakothai	60,000.00
9.	Mr. Ekamo Kiriwat*	717,647.00
	Total	9,623,000.00

* while still in position

THE APPLICATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

Throughout 2007, the Company acted in compliance with *The Stock Exchange of Thailand's* 2007 Principles of Good Corporate Governance which were divided into five categories as follows:

1. To ensure shareholder rights to obtain information, news and activities of the Company and to provide facilities to participate and vote in the Meeting by increasing access channels for them.
2. To equally treat the shareholders in proposing agenda items or nominating candidate for director positions in advance of the meeting.
3. To oversee and encourage the roles of the stakeholders, i.e., customers, employees, business traders, shareholders, investors, creditors, the community the company operates in, the society, government sectors and other stakeholders, e.g., competitors, independent auditors, by treating them in accordance with the related laws.
4. To disclose information transparently. Under the monitoring of the committee board, all vital information relevant to the Company, both financial and non-financial, were disclosed correctly, fully, timely, transparently and reliably through easy and equal access channels.
5. To perform the responsibilities of the Board by monitoring the operation for the maximal benefit of the Company.

Except for the following procedures:

- The Company did not officially have a succession plan, for the Committee believed that it would be able to select a qualified and right person to replace the former executive without disrupting the Company's on-going operation.
- Except for the Audit Committee, the Company did not appoint any other sub-committees, e.g., Remuneration Committee, Nomination Committee, etc. due to the smaller amount of Board members. Thus, the whole Board members took in charge to consider compensation, to nominate Board members, the managing director, and senior management positions, as well as to manage the risk factors.
- The Company did not disclose the remuneration of any executive director who performed the same position for other companies, for it was not the Company's information.
- The Company did not limit the number of the listed companies that a board director could hold the same position, for it believed that each director could manage their time to fully perform their duties for the Company.
- The Company did not use the voting cards at the Annual General Meeting due to the small attending number - ten personally attending shareholders and seventeen with proxy. However, the Chairman transparently counted the votes that agreed, opposed and abstained, and the Meeting appointed Mr. Surachai Dhirasondhikul, the internal auditor and two other attending shareholders as witnesses for the voting. And the company's staff, afterwards, totaled the votes one more time. The Meeting agenda went on smoothly.

Summary of the Application of the Principles of Good Corporate Governance

Rights of the shareholders

- The Company regarded and respected the rights of shareholders by complying to criteria set by the law. The Company held the Annual General Meeting on April 25, 2007 with 7 out of 8 board members attending (initially nine directors but one resigned) and held an Extraordinary Meeting on September 18, 2007 with all 9 board members attending (including the newly appointed one).
- The Company's meeting venue was the Pacific Club's Governor Room on Floor 28, Two Pacific Place, 142 Sukhumvit Road, Klongtoey District, Bangkok, which was near BTS, Nana Station, convenient for the shareholders to attend the meeting, and a clear map was enclosed in the invitation letter.
- The Company assigned *Thailand Securities Depository Company Limited*, the Company's registrar, to deliver the invitation letter to the shareholders ten days prior to the Meeting date.
- The Company Secretary was the person who collected all the questions submitted to the Board before the Meeting date via Web site and the Board answered them completely at the Meeting.
- The Company posted its invitation at www.scanleasing.co.th twenty two days before the Meeting date and posted its minutes fourteen days after the Meeting date.
- For the shareholders who was unable to attend in person, the Company advised them to give proxy to Prof. Dr. Panas Simasathien, chairman of the Audit Committee and independent director, or to Associate Professor Pises Sethsathira, member of the Audit Committee and independent director, for the 2007 Annual General Meeting, and seventeen of them did as advised.
- At the 2007 Annual General Meeting and the Extraordinary Meeting, Prof. Dr. Panas Simasathien, acting as chairman of the Meeting, let all shareholders query details of each agenda as well as listened to suggestion beneficial to the Company's business, which would be given to the Management for further consideration and improvement.

Impartial Treatment to Shareholders

- On January 15, 2007, the Company publicized the letter to shareholders via SET's channel to give the right to shareholders to initially nominate any qualified person for director post as well as any other agenda via www.scanleasing.co.th, and then sent written document as evidence via registered mail to the Company within February 15, 2007. Criteria, methods and procedures were also posted on the said Web site. As a result, Khun Montree Tirakothai, was nominated and approved by the Board for his qualification with nothing legally forbidden in accordance with criteria announced by the *Securities and Exchange Commission*. The Board therefore proposed at the Meeting to appoint

him as a board member, as the shareholders could have considered his curriculum vitae sent prior to the Meeting date.

- The Company provided facilities to the shareholders at both the Annual General Meeting and the Extraordinary Meeting, such as preparing duty stamps to use in case of proxy and allowing the latecomers to attend the Meetings.
- The Company demanded 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*, which 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 will face penalty as stated in *Section 275* of the said *Act*. Furthermore, the management were 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 demanded the directors, the Management and its employees to avoid or stop purchasing and selling the Company's stocks in the period of twenty one days ahead of the disclosure of the Financial Statements to the public and one day after the said disclosure. If violated, they will face penalty as stated in *Section 296* of the said *Act* likewise.

Treatment to Stakeholders

It was the Company's policy to equally treat the stakeholders as well as to strictly adhere to it so that all involved would be treated with fairness by

1. Monitoring that the Company's customers gained maximum benefit in quality and price.
2. Monitoring that the shareholders who owned the Company received appropriate dividend.
3. Monitoring that all employees had appropriate incomes plus fringe benefits at the appropriate level and received trainings continually.
4. Monitoring that those who had business relations with the Company, such as business traders were treated justly in conformity with universal standards within the scope of law regarding business practice and competition, not to break commercial secrets unethically. In the past year, the Company had no dispute in any matter with its business traders.
5. The Company welcomed stakeholders to report or make complaints on issues involved illegal practices, incorrect financial reporting, insufficient internal control system or any misconducts by contacting directly to Prof. Dr. Panas Simasathien, chairman of the Audit Committee and independent director at the following address:

34 Ramkhamhaeng Road
Wangtonglang, Bangkok
Bangkok 10310
6. The Company highly regarded the environmental preservation and the society. In any business operation of the Company, the Board would always consider the factors and its impacts on the environment and the society before any other matters.

The Disclosure and Transparency of the Information

The Company ruled that the disclosure of its information to investors, both the existing ones and the future prospects, including the meeting with the stock analysts, was the Managing Director's authority.

The disclosure of information according to the set rules:

1. through *The Stock Exchange of Thailand* at www.set.or.th as follows:
 - Annual Registration Statements (Form 56-1)
 - The Company's quarterly Financial Statements and Annual Report
 - Documents informing of the Board's resolutions and other matters
2. through the Company's Web site, i.e., www.scanleasing.co.th which was constantly updated.

And to increase access for investors and others involved, 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 make a direct phone call at 02 6532533-49 ext. 113, 178 or e-mail to investor-relations@scanleasing.co.th.

Details of the disclosure were as follows:

- The Company reported the summary of its Good Corporate Governance policy approved by the Board in the *Annual Report* as well as the Company's Website.
- The Company reported the Board's responsibility for the Financial Statements with the Auditor's Statements in the *Annual Report*.
- The Company revealed the roles, responsibilities, terms, performance of each director and Audit Committee, numbers of meeting, numbers of attendance by each director in the past year and comments from their duties under the *Management Structure* in this *Annual Report*.
- The Company revealed the remuneration of the directors and the Management, together with the amount of remuneration received by each director under the *Management Structure* of this *Annual Report*.

The Responsibilities of the Board

The Structure of the Board

The Board of directors comprised chairman who was an independent director, four non-executive directors (three of which were independent directors) and five executive directors. Prof. Dr. Panas Simasathien, an independent director, was Chairman of the Board.

Details of each director's profile is on page 14-16.

The Company secretary was Mr. Mats Anders Lundqvist, with the following duties:

1. To oversee the Board's activities and to co-ordinate so that they were done in accordance with the Board's resolutions.
2. To offer basic advice to the Board members regarding the rules and regulations of the Company as well as to monitor that they were adhered to rightly and constantly.
3. To hold the shareholders' meetings and the committee's meetings in line with the law, the Company's regulations and other codes of conducts.

Apart from the Audit Committee, the Company did not appoint any other sub-committee. Therefore the nomination and the remuneration were conducted by all Board members and then submitted for approval at the Annual General Meeting to ensure transparency.

Roles, Duties and Responsibilities of the Board

- To establish good corporate governance policy
- To set up business ethics policy in writing so that it could be the guideline for the committee, the management and all employees.

The business ethics policy, presented by the Audit Committee on November 14, 2005, and approved by the Board, stated about

- The Company's ideal that encouraged its directors and all employees to adhere to the laws and the Company's rules and regulations.
- The Company's business ethics. For example, the fair treatment to all parties involved, including the society and the nation; the right and transparent ways to seek business benefit; the impartial treatment to any person.
- Code of conducts for directors and all employees. For example, the upkeeping of the Company's assets, the guarding of the customers' confidential information, the forbiddance on using internal information to seek profit in purchasing and selling the Company's stocks, the forbiddance on accepting gifts.

This policy was made known to the Company's directors and all its employees and was to be adhered to strictly.

- To set up an internal control system for the operation, the financial reporting and the adherence to the rules and policies.

The Board considered as one of its major policies to encourage the Company in developing a strong and efficient internal control system, for the Board realized that good control system could prevent any damage that might happen to the Company's and its subsidiaries' assets. It would also lead to good performances and the growth of the Company. This was done through these important tools:

GOOD CORPORATE GOVERNANCE

- The Audit Committee, which considered the sufficiency of the internal control system of the Company and its subsidiaries by reviewing their performances as well as holding a quarterly discussion with the Management, the independent auditor and the internal auditor.
- The Internal Audit Unit, which was responsible for evaluating and reviewing the internal control system of the Company and its subsidiaries to ensure that they operated in line with all rules and regulations, as well as submitting reports of its reviews to the Audit Committee.
- The Company regarded risk management seriously and assigned the Management to set up measures to control risks in its operating activities and to follow up closely, e.g., the credit granting, the bill collection, the cash management, the report on the differences. The Company also encouraged and motivated all employees to learn new work cultures and be aware of the risks at all stages of work.

Board Meetings

In the year 2007, the Board held thirteen meetings. Before each meeting, all directors would receive in advance related materials containing sufficient information for consideration and decision-making. In addition, the Management also attended the meetings to provide more relevant details. The Finance & Accounting Manager, the Marketing Manager as well as the Internal Audit Manager attended the Annual General Meeting to clarify information for consideration on each agenda.

Board Self-Assessment

Self-assessment was annually conducted by the Board to improve performance and to use as standard in comparing work performances.

Remuneration

The remuneration of the directors could be comparable to the industry level, which was judged in accordance with experiences, duties, roles and responsibilities, including benefits expected from each director, and was to submit at the Annual General Meeting for consideration and approval.

Board and Management Trainings

The Board supported and facilitated trainings and educating to those involved with the Company's corporate governance system to enhance work efficiency, such as, encouraging its newly appointed directors to attend the Thai Institute of Directors Association training courses, preparing documents essential to duties as well as giving advices on its type of business and the Company's operating guidelines. Even the Company did not officially have a succession plan, it believed that it could quickly find an able, qualified executive with business experience as replacement without causing interruption to its operation.

TRANSACTIONS WITH RELATED COMPANIES

The Company had transactions with its subsidiaries and other related companies. These relations were incurred from related shares-holdings 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	Relationship	Nature of Business
SMC Motors Public Company Limited (SMC)	The Company was its major shareholder of 29.94 million shares (49.90%). Its executives were the Company's Directors and the Company's Executives were its Directors.	Dealer of Volvo cars and accessories, including maintenance service.
Scan Transport Service Limited (STSL)	The Company held 5.99 million shares (99.99%). A subsidiary. The Company's Management was STSL's Directors.	Operating lease with maintenance service. Presently STSL stopped its business expansion but still followed up its bill collection from operating and maintenance contracts as well as provided car replacement services.
Scan AMC Company Limited (SAMC)	The Company held 59.99 million shares (99.99%). A subsidiary. The Company's Management was its Directors.	Managing assets transferred from the Company's creditors. Stop operating in 2004.
Auto Receivables SPV Company Limited (ARSPV)	The Company held 260 shares (26%). An affiliated company. No common Directors.	Issuing bonds under the Securitization Act. Presently stop operating for the bonds was fully repaid.

In addition, there were other related companies. The relation was incurred from having common directors as follows:

Company Name	Relationship
Sedona Company Limited	Common directors
Deva Development Public Company Limited	Common directors
Phannita Property Company Limited	A related company to <i>Deva Development Pcl.</i>
SMC Communication Services Company Limited	SMC's subsidiary

TRANSACTIONS WITH RELATED COMPANIES

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

1. SMC Motors Public Company Limited (SMC)

Nature of Transaction	Value	Needs and Rationales
The Company offered floor plan financing	Baht 31.80 million	Terms were in accordance with normal business practice and market prices. The Company's interest income in 2007 was Baht 0.40 million.
Scan Transport Service Limited granted short-term loans	<ol style="list-style-type: none"> 1. Principal of Baht 4 million. 2. The interest rate was MLR (of four commercial banks in average) plus 0.5%, paid monthly. 3. The term was one year which would be due on April 2, 2008 	<p>As cash flow for business operation, and <i>STSL</i> would gain an appropriate yield, compared to the savings interest rates.</p> <p>During the year, <i>SMC</i> paid all interests on dues.</p> <p>Interest income in 2006 was Baht 0.41 million.</p>
Creditors and debtors	Baht 0.05 million	As in the normal course of business. Trade payables were car maintenance cost whilst the receivables were accrued interests not yet due (of a subsidiary) and floor plan financing.

2. Scan Transport Service Limited (STSL)

Nature of Transaction	Value	Needs and Rationales
Service fees	Baht 1.08 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.

TRANSACTIONS WITH RELATED COMPANIES

3. Scan AMC Company Limited (SAMC)

Nature of Transaction	Value	Needs and Rationales
The Company granted short-term loan that was provided full allowance for paid doubtful account of the amount.	Baht 11.6 million	As a loan for its operating costs. Currently SAMC had no other cost burden apart from interest fees to the Company in the amount Baht 0.6 million.
Loan interest payables and service fees which the Company provided full allowance for doubtful account of these amounts.	Baht 50.18 million	As interest for the Company's short-term loan including management fees for assets invested by SAMC that had already expired in 2003.

4. Auto Receivables SPV Company Limited (ARSPV)

Nature of Transaction	Value	Needs and Rationales
Service fees and interest from the securitization plan.	Baht 1.19 million	The Securitization Project ended in January 2007 and the Company had been gradually repaid for the service fee and interest income in compliance with its remaining period.

Summary of the outstanding value (in million Baht) of the transactions with related companies was as follows:

Type	Sedona Company Limited	Deva Development Public Company Limited	Phannita Property Limited	SMC Communication Services Limited
Hire purchase	-	0.69	0.49	-
Leasing	0.43	0.81	-	-
Loans and interest income	-	19.36	-	4.0
Interest incomes of all types of financing in 2007	0.16	2.52	0.46	0.40

Risk from Market factors

Risk in business operation.

The attempts of financial institutions and small banks in expanding leasing caused fierce competition in the industry, be it low down payment, longer period of instalment, and resulted in lower customer quality. The Company, as a small business operator, was aware of the said market risk, and therefore selected its customers strictly as well as maintained old customers with good records.

Risk Due to the Slackening Economy.

The consumers' confidence decreased steadily, causing deferred spending and reduction of automobile sales volume. The car dealers tried to push sales through various promotional tools. One of the basic strategies was to co-operate with financial institutions in offering attractive terms to prompt their decision, speedy credit approval, the ease on credit approval regulation, such as, no guarantor was needed. The policies and said strategies were against the stagnant economy, causing higher risk to business operations. The Company thus avoided to offer terms that might increase risk factors and still adhered to its standard procedure regarding credit consideration and approval.

Risk from Debt Collection

The Company placed importance on reducing the factors that might cause risk to debt collection which could be divided into internal factor and external factor.

For the internal factor, the Company set up systems to monitor and prevent bill collection risks in various ways, such as issuing bill warning, reaching credit customers quickly and effeciently, including a systematic way to speeding up bill collection.

As for the external factor, apart from co-ordinating with *National Credit Bureau Company Limited (NCB)* and other leasing companies of the *Thai Hire-Purchase Association* to screen the quality of the customers, the Company also asked for co-operation regarding information from government units in some cases, for example, *Office of The Narcotics Control Board, Royal Thai Police* in case a hire-purchase asset was used in illegal actions or for fleeing. This was another means to lessen the bill collection risk.

The way the Company checked and screened customers' quality from the beginning of the credit-application as well as increased internal system to monitor and to follow up closely on the ensured that its credit customers were of good quality and it had small number of bad debt.

Risk from Impairment of Hire-purchase Cars

The Company not only put emphasis on the quality of its receivables and their payment ability when analyzing and approving credits, but also considered the brands, types, models and years made of the leased cars. When any customer's payment ability declined, the Company could repossess the car and disposed it without causing too much damage to the Company. One way for the Company to lessen the risk was to grant credit to high-demand and popular brands of car among consumers.

The levels of impairment risk between granting financing to new cars and used ones were different. In case of new cars, the Company focused mainly on brands and models; for used cars, years made and the cars' condition would also be considered. Thus the risk from used car was higher. Without able and expert staff for car inspection, the facility amount granted might be higher than their actual value. To weaken the said risk, the Company trained its employees to be able to expertly analyze the car's condition, to learn about the median/mean prices of each model, to check and follow the movement in the automobile market, since cars were a technology asset for which the consumers' needs kept changing all the time. Furthermore, the reduction on used cars financing was another approach to lessen the risk. The finance to used cars gave higher yields than to new cars; but if the Company was unable to collect the instalments as targeted, it might create a problem to its working capital. Currently the Company had used car receivables in the amount of 16% of the total figure.

Risk from the Rising Funding Cost Due to Changes of Interest Rates

In doing hire-purchase business, the Company set fixed interest rates throughout the contracts that mostly were of 12 months up which differed from the Company's current funding structure comprising loans under Replacement Restructuring Agreement with floating rates. Currently the Company did not have any other loans with fixed rates. Therefore if the market interest rates should go up, the Company might have risk from funding cost caused by interest expenses that were higher than the interests earned from the receivables.

Due to the buy-back of debt and the granting of facilities based on market interest rates that gave a better yield to the Company, it enabled the Company to weaken the risk from changes of interest rates. The Company had outstanding loan in the amount of Baht 201 million, compared with outstanding receivables netting Baht 709 million. Thus, the Company did not expect the changes of interest rates to seriously affect its operation.

Risk from Shrinking Amount of Assets

The Company's receivables dropped 37% from last year, causing a decline in cash inflow from receivables. When coupled with its steady lessening amount of business, the Company would have risk of insufficient cash flow for its operation expenses. Therefore, the Company cut down on some operating expenses, such as reducing the amount of employees, downsizing its office space to suit its existing asset.

Risk from Inability to Find New Partners and Funding sources

Presently financial institutions had hire purchase business as one of their working units due to its several advantages, such as being a new marketing channel through their branches. If no new partners could be found, the Company would face a high risk in losing its businesses.

The Company had been able to find a short-term loan and bonds and they were totally repaid in 2007. In case the Company would not be able to find new source of fund, the cash inflow would gradually decline. The Company therefore lessened the amount of lease financing and efficiently collecting bills so that it could have more cash reserves while the Company was about to change to or add other core businesses.

Risk from Currency Exchange Rates

At the end of 2007, the Company's outstanding balance of the loan under the Replacement Restructuring Agreement was USD 1 million, without hedging, which might affect the Company's performance. However, the gradual repayment in compliance with the Agreement

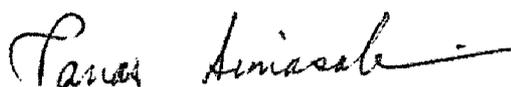
REPORT ON RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

In the Board's opinion, the overall Company's internal control system is satisfactory and able to provide reasonable assurance to the credibility of Company's Financial Statements as of December 31, 2007.



(Prof. Dr. Panas Simasathien)
Chairman



(Mr. Vinit Samritpricha)
Managing Director



(Ms. Poonsri Wangsundaraporn)
Finance & Accounting Manager

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

OVERALL PERFORMANCE

The Company was aware of the changes in hire-purchase business that the major operators were now commercial banks and car manufacturers' subsidiaries that had great advantages in funding and financial cost. Those who lacked continued funding support would face difficulty in the competition that employed low interest rates terms, resulting in bad performance. Thus the Company had to find other core businesses that might yield a better gain. At the same time, to ensure sufficient fund for other businesses, the Company deferred its credit granting, therefore, in the year 2007, its new businesses in hire-purchase, leasing, floor plan financing totaled Baht 259 million, compared to Baht 485 million in the prior year, down 47%, reducing the total assets by 43% and total revenue by 35% from last year.

OPERATIONS

Revenues

In the year 2007, the Company's total revenue was Baht 111 million, compared to Baht 170 million in 2006, a 35% decline; details of which were as follows:

1. The Company earned income from hire-purchase contracts in the amount of Baht 53 million, or 48% of the total revenue, compared to Baht 67 million of last year, a 21% decrease. However, the Company's interest income averaged at 6.8%, up slightly from 6.5% of the previous year, due to the gain from a number of its hire purchase contracts that yielded a higher interest rates than new cars.
2. Income from financial leases in the amount of Baht 6 million, compared to last year's figure of Baht 8 million, dropped 27%, caused by the lower amount of the leases.
3. Income from the rights over hire purchase contracts amounted to Baht 0.4 million, or 0.4% of the total revenues, compared to Baht 13 million in the prior year, a 97% decrease. This was because the Securitization Project had ended in January 2007. Thus the recognition of the income became less in line with the declining number of the rights.
4. Income from rental and service in the amount of Baht 2 million, or 2% of the total revenues, came from *STSL's* operation, compared to Baht 11 million in the year before, a drop of 77%, resulted from the cease on its business expansion.
5. The Company had a gain from foreign currency exchange rates in the amount of Baht 15 million, or 14% of the total revenue, compared to Baht 30 million in 2006, a 50% decrease. This was due to the lesser outstanding receivables in US Dollar from the previous year. Presently the Company had no hedging contract for foreign debt as the Baht value was considered to become more stable.
6. Interest income in the amount of Baht 17 million, or 15% of the total revenue, compared to last year's figure of Baht 16 million, up 4%. This was due to the Company's granting of floor plan and working capital lendings in the total amount of Baht 102 million, from Baht 77 million in the prior year, resulted from a higher yield than the interest rates of the deposits received from the financial institutes.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

7. Revenue from other incomes amounted to Baht 18 million, or 16% of the total revenue, decreased 9% from last year. This was due to the declining income from commissions as well as from claims received from winning legal cases.

Expenses

Consolidated expenses in 2007 amounting to Baht 127 million, compared with Baht 99 million of the year before, was up 28%. The details were as follows:

1. The Company's operating and administrative expenses of Baht 120 million, a 3% decline, comprised
 - 1.1 The Company's expenses from the borrowing were up Baht 9 million, compared with Baht 7 million in the year before, which mainly was the management fee of its short-term loan from an overseas financial institute and the Company paid up the full amount in the first quarter of the year.
 - 1.2 Overhead expenses increased 21% from the prior year incurred by the compensation fee paid in 2007 to its employees in accordance with the early retirement project and the reduction of the number of the Company's and its subsidiaries' employees. At the end of year, the Company's staff reduction was equivalent to 35%.
 - 1.3 *STSL's* operating expenses was Baht 4 million, compared with Baht 15 million in 2006, a 73% decline from the previous year, due to its cease on new business, causing the depreciation of leased cars and other related expenses to decrease as well
 - 1.4 *ARSPV's* administrative expense, comprising fees related to debentures and asset management for rights over hire purchase contracts through Securitization Project, declined by 95% due to the end of the said project in January 2007.
2. Income from reversal of doubtful accounts was lower, for the Company had no major receivables settled, unlike the previous year that some major overdue receivables were settled, of which the allowance for doubtful account had been fully reserved.
3. Loss from the sale of repossessed asset was up 127% from last year, due to lower selling prices as well as of the declining amount of repossessed cars compared with the year 2006.
4. Remuneration expenses for the directors increased 211% from the prior year, for the Company paid director' bonus in the amount of Baht 6 million to the Board members whose directorship were in the period of debt buy-back in addition to their annual remuneration, in accordance with the resolution of 1/2007 Extraordinary Meeting on September 18, 2007.

Interest Expenses

The Company's consolidated interest expenses in the amount of Baht 39 million, compared to Baht 73 million of the previous year, went down 47%, incurred by the decline of the loan burden in 2007; details were as follows:

1. The Company repaid in full of the short-term loan from an overseas financial institute in April.
2. In June, the Company bought back the loan in the amount of Baht 640 million or 66% of the outstanding debts. This was for a partial discounted debt buy-back which was in line with the Replacement Restructuring Agreement, and the debt repayment in accordance with the

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

Agreement of 9% of the remaining debts in December.

- ARSPV repaid in full of its debenture in January.

Proportion of Interest Expenses

Company	2007	%	2006	%	Change (%)
SCAN	38	97	67	92	(43)
ARSPV	1	3	6	8	(83)
Total	39	100	73	100	(47)

Extraordinary Item

The Company made the gain from the offsetting between debts under Replacement Restructuring Agreement (RRA) and the fund participation in the amount of Baht 277 million. After deducting the income tax of Baht 38 million. The net gain remained Baht 238 million as detailed in *Notes to Financial Statements, Clause 22*.

Performance in Summary

Statements of Income	2007	%	2006	%	Change (%)
Total Revenues	111	100	170	100	(35)
Operating and Administration Expenses	(127)	(114)	(99)	(58)	28
Profit/(Loss) before Interest Expenses and Income Tax	(16)	(14)	71	42	(123)
Interest Expenses	(39)	(35)	(73)	(43)	(47)
Income Tax	0	-	(1)	-	-
Profit/(loss) from Normal Operation	(55)	(50)	(3)	(1)	(1,903)
Extraordinary Item	239	215	0	-	-
Net Profit/(Loss) for the Year	184	165	(3)	(1)	6,786

The Company's net loss of the year from normal operation amounted to Baht 55 million, up 1,903% from the Baht 3 million loss of the year before, even though the Company could reduce its interest expense by 47%. This was caused by the 35% down of the operating income from last year, due to the decrease of the interest income recognition from the declined amount of receivables, the shrink of exchange gains from the lesser amount of US Dollar loan, as well as the decline of reversal of allowance for doubtful accounts, whereas the operating expense was up 28% from the previous year, which was not in line with the shrink of the business volume due to the higher expenses of the funding cost incurred from the management fee of a short-term loan and the expenses incurred from the reduction of employees. The Company expected that these would help lessen its future expense burden.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

The operating expenses of this year comprised 114% administrative and expenses, 35% interest expense of the total revenue, compared to those of last year of which 58% was administrative expenses and 43% was interest expense.

Although the Company had the loss from its normal operation but could made the gain from the extraordinary item, enabling the Company to have the net profit in 2007 in the amount of Baht 184 million, an 6,786% increase from the year before, or net earning of Baht 3.1 per share. The return on equity was up 21% while the return on assets was up 11%.

FINANCIAL STATUS

Balance Sheets

Type	2007	%	2006	%	Change (%)
Total Assets	1,165	100	2,060	100	(43)
Total Liabilities	255	22	1,243	60	(80)
Shareholders' Equity	910	78	816	40	12

TOTAL ASSETS

The total assets in 2007 decreased by 43%, mainly from the reduction in receivables, of which 72% was current assets in the amount of Baht 840 million, detailed as follows:

Cash and Cash Equivalents

The Company had cash, cash equivalents amounting to Baht 406 million or 35% of total assets, compared to Baht 301 million of last year, an increase of 35%, attributing to the Company's reduction on new businesses expansion, thus the amount spent for new businesses written was less than that collected from the receivables. The Company earned an average 3.0% per annum from its bank savings and promissory notes with financial institutes.

Rights of Claim under Hire Purchase Contracts

In August 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.

During the course of year, the debenture was totally repaid, thus ending the Securitization Project. At the end of the year, the balance net of the rights of claim was nil.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

Hire Purchase and Financial Lease Contract Receivables

The Company's outstanding receivables, those under litigation net of unearned interest income and allowance for doubtful accounts, totaled Baht 650 million, or 56% of total assets, compared to Baht 1,032 million of the year before, a 37% decrease, comprising the following contracts:

Type of Financing	2007		2006		Change (%)
	Amount	Number of Contracts	Amount	Number of Contracts	
Hire purchase and Rights of Claim under Hire-Purchase Contracts	542	1,990	953	3,065	(43)
Leasing	108	186	151	241	(28)
Total	650	2,176	1,104	3,306	(41)

The outstanding receivables were new car financing, or 84% of the total receivables. The Company mainly emphasized hire purchase finance for new cars since it generated lesser 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 in 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 were disclosed in *Notes to Financial Statements*.)

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

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

Receivables	2007			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	1,796	561	83	2,829	973	86
Overdue more than 7 days to 90 days	238	79	12	367	118	11
Overdue more than 90 days to 180 days	43	10	1	63	16	1
Overdue more than 180 days	34	11	1	40	11	1
Subtotal	2,161	661	97	3,299	1,118	99
Receivables under Litigation	15	17	3	7	14	1
Grand Total	2,176	678	100	3,306	1,132	100
Less: Allowance for doubtful Accounts		28	4		28	2
Net Value of Receivables		650			1,104	

The Company's total net receivables from unearned interest income were 2,176 contracts amounting to Baht 678 million, compared to 3,306 contracts totaling 1,132 million of last year, a 40% decline. Those of overdue period comprising the ones paid on due and not exceeding 7 days stood at Baht 561 million, or 83%, compared to Baht 973 million in the year before, or 86% of the total. Receivables with overdue from 7 to 90 days were Baht 79 million or 12%, compared to the last year's figure of Baht 118 million, down 33%.

In addition, the Company had 5% of non-performing receivables which comprised those with overdue from 90 days up in the amount of Baht 21 million, or 2% of the total, compared to Baht 27 million in 2006, a 22% decline, and those under litigation amounting to Baht 17 million, or 3%, compared to Baht 14 million of the prior year, up 21%. 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 4% of total receivables, or 74% of non-performing receivables, compared to Baht 28 million of 2006, or 2% of total receivables, or 68% of non-performing receivables. Due to the Company's higher allowance for doubtful accounts, the risk incurred by them was lessened.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

Short-Term Loans

The Company gave short-term loans to related parties in the amount of Baht 59 million respectively. Details were as follows:

Short-term Loans to related businesses

(Unit: Million Baht)

Company	Type of Financing	2007	2006
SMC Motors Plc.	Floor plan	32	5
	Short-Term Loan (by <i>STSL</i>)	4	10
Deva Development Pcl.	Short-Term Loan	19	0
SMC Communication Services Ltd.	Short-Term Loan	4	0
Total		59	15

In the *Separate Financial Statements*, the Company granted loan to *SAMC* in the amount of Baht 12 million for which allowance for doubtful account was fully reserved since the subsidiary had stopped its operation since 2004.

During the year, *ARSPV* repaid the full amount to the Company, for the Securitization Project had ended.

Loans to unrelated parties floor plan financing for used-car dealers which at the year end, the outstanding balance net of allowance for doubtful account stood at Baht 4 million, compared to Baht 18 million in 2006. This type of financing used the vehicles as collateral and the Company had reserved the allowance for doubtful account of Baht 3 million for the expected loss that might incur.

The Company also granted a loan in the amount of Baht 64 million to one company during the year by taking its shares certificate as collateral. The loan and accrued interest were already repaid.

Asset Foreclosed

Asset foreclosed comprised cars and machinery repossessed from the overdue receivables. The value net of the allowance for impairment lessened by 17 items, amounted to Baht 3 million, compared to 16 items of Baht 5 million in the prior year, a 39% down. The Company provided the allowance for impairment of Baht 9 million by using the expected selling of these assets as a basis in estimation.

Other Current Assets

The balance at the end of the year stood at Baht 12 million, compared to Baht 5 million of the year before, up 163%, due to a corporate income tax claim in the amount of Baht 7 million. This claim incurred from the income tax payment from the net profit for the first six months. But its loss from normal operation for the last six months lessened the profit at the end of the year which made the said income tax overpaid.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

Restricted Investment

The amount of such investment totaled Baht 7 million or 0.6% of overall assets, used as collaterals for loans and interest under the Replacement Restructuring Agreement, compared to Baht 232 million, a 97% decline. This was because the Company received the collaterals back from the ending of the Securitization Project and the repayment of the short-term loan during the year.

Leased Cars

At year end, the value was Baht 3 million, down from Baht 6 million of last year, resulted from *STSL*'s cease on its business expansion.

Participation Rights over the Company's Debt

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. During the year, the Company bought back discounted debt from the creditors who are counter-parties to the Fund Participation Agreement by offsetting the debt between the value of the debt bought back and the value of the rights over the debt, thus the Company had no outstanding balance left in the participation in rights over the Company's debt.

Receivables under Litigation

At year end, these receivables were Baht 123 million from 201 cases, compared to Baht 132 million from 223 cases the year before, or 11% of the total assets. Even the cases were won, the Company still needed some time to collect the debt from these receivables. Thus the Company reserved allowance for these debts at full amount.

Non-Current Assets

At the end of the year, the figure was Baht 5 million, compared to Baht 8 million of the year before, a 38% decline, mainly was deferred commission expense which decreased in accordance with the new business volume from Baht 6 million a year ago to Baht 3 million.

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, from which impairment cost of Baht 600 million was already booked because *SAMC* has ceased its operation since 2004.

LIABILITIES

The Company's total liabilities at the end of the year were Baht 255 million, of which 43% was current liabilities amounting to Baht 110 million, compared to Baht 1,244 million of last year, a 80% down. Details were as follows:

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

Short-Term Loan from Financial Institution

At year end, the Company had no outstanding short-term loan, compared to Baht 88 million in the prior year, for the Company repaid the loan accrued and interest in the full amount in April 2007 and the creditors already returned all collaterals to the Company.

Debentures

ARSPV totally repaid the debentures, interest and other expenses under the Securitization Project during the course of year. Thus there was no balance of accounts payable left between the Company and ARSPV. In addition, ARSPV received all collaterals back from the bondholders agent as well as transferred the remaining rights over hire-purchase contracts to the Company. At year end, the outstanding balance of the debentures and inter company accounts payable were nil, due to the ending of the Securitization Project.

Debt under the Replacement Restructuring Agreement

The Company had only one outstanding loan, i.e., the loan under the Replacement Restructuring Agreement in the amount of Baht 201 million, or 79% of the total liabilities, compared with Baht 962 million in 2006, down 79%, comprising loan in Thai Baht amounting to Baht 155 million and in US Dollar totaling USD 1 million, of which repayment would be due in 2008 in the amount of Baht 97 million. (Details of the terms were disclosed in *Notes to the Financial Statements, Clause 19*)

In the year 2007, the Company gradually paid back the loans and due interest to bank creditors and bought back with discount from some creditors. (Details of the terms were disclosed in *Notes to the Financial Statements, Clause 19*)

SHAREHOLDERS' EQUITY

In the year 2007, the Company made an extraordinary gain debt buy-back at discount resulting in a net profit amounting to Baht 184 million, or profit per share of Baht 3.07, compared to Baht 3 million loss. From the said extraordinary item, by the resolution at the Extraordinary Meeting on September 18, 2007 and that of the Board's Meeting on November 5, 2007, the Company paid dividend to its shareholders totaling Baht 1.50 per share.

At the end of 2007, the shareholders' equity increased to Baht 910 million from Baht 816 million of last year, up 12%. The book value per share was at Baht 15.17.

LIQUIDITY AND SOURCE OF FUND STRUCTURE

The Company's net cash flows throughout the year increased by Baht 105 million, comprising

1. Net cash from operating activities in the amount of Baht 399 million, mostly came from the collection of overdue receivables. The cash was used for hire-purchase businesses operation, interest payment for loan. The amount from operating activities was up because the Company lessened its credit granting.
2. Net cash flows earned from investing activities amounted to Baht 87 million, comprised an investment in Fund Participation, money for lending and those gained from restricted investment from financial institutes.

REVIEW OF OPERATIONS AND ANALYSIS OF FINANCIAL STATUS

3. Net cash flows used for financing activities of Baht 321 million were the repayment of the Company's loan in the amount of Baht 178 million, the repayment of ARSPV's debentures totaling 52 million, and the dividend payment of Baht 90 million to the shareholders.

At the end of the year, the Company's cash and cash equivalents stood at Baht 406 million, a 35% up. The estimated balance of cash flow in 2008 would be as follows:

		(In million Baht)	
Cash and cash equivalents at the end of 2007			406
Total	Receivables under hire-purchase contracts due in one year	355	
	Rights of claim due in one year	63	418
Deduct	Loans under Replacement Restructuring Agreement		98
Estimated balance of cash			726

The Company had estimated balance of cash that could be used for working capital and investment in new businesses in the amount of Baht 726 million approximately.

Main Factors and Influences that May Affect Future Performance or Financial Status

Presently the Company's loans stood at Baht 201 million, resulting in the decline of the Company's debt/equity ration to 0.28 times from 1.52 times in the year before, resulting from the repayment of the Company and its subsidiary on dues as well as the buy-back of the Company's loans.

The Company has lessened the future risk that might be against the limitation stated in the Loan Agreement which major creditors agreed to cancel and change 14 clauses of terms and conditions in the Agreement, for example, the Company could consider operating other businesses apart from granting hire-purchase and leasing; no rules regarding the purchase of foreign currencies; the dividend payment, etc.

Although the Company has low debt burden, but fund mobilization is still different. To reserve cash to operate other core businesses, the Company has to defer its expansion for hire purchase business due to the negative factors in the competition that have caused the Company to have insufficient revenues for its expenses. The management of existing receivables as well as the reduction of bad debt are important factors that may affect both the Company's performance and its future cash inflow. As long as new funding source is yet to be sought, the Company has to efficiently manage its cash flow to maximize the yield and minimize the loss.

AUDIT FEE

Audit Fee

In the year 2007, the Company and its subsidiaries paid auditing compensation to its auditing company in the amount of Baht 1.6 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 2007

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 2007, 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 2006, as presented herein for comparative purposes, were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 22 February 2007, expressed an unqualified opinion on those financial statements, while drawing attention to the matter discussed below in paragraphs 1) - 3) 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 2007, 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 term 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. This uncertainty has ended, as discussed in 4).

- 2) As discussed in Note 15, the Company has entered into 4 Fund Participation Agreements with 2 overseas companies, with total contracts amount of USD 11.19 million and Baht 50.43 million (2006: 2 agreements; contracts amount of USD 9.31 million). There is still uncertainty as to whether entering into such Fund 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. This uncertainty has ended, as discussed in 4).
- 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. This uncertainty has ended, as discussed in 4).
- 4) As discussed in Note 19, in May 2007 the Company obtained approval from majority lenders to delete and change some significant conditions of 14 clauses in the Replacement Restructuring Agreement. As a result, the Company was able to buy back debt and operate business other than hire purchase and car rental services etc. I received confirmation from a bank who is agent that such actions were approved by majority lenders and in compliance with the Replacement Restructuring Agreement. The Company subsequently bought back debt at a discount from the creditors who are counterparties to the Fund Participant Agreement, in accordance with the amended conditions of the Replacement Restructuring Agreement. In June 2007, the Company offset the debt bought back at a discount and rights to participate in the Company's debt of the creditors who are parties to the Fund Participant Agreement to make non-cash settlement. This offset resulted in the net income amounting to Baht 239 million, and the Company has presented such income as an extraordinary item in the income statements for the second quarter of current year. As a result, the events described in clause 1) – 3) have ended in June 2007.



Nonglak Pumnoi

Certified Public Accountant (Thailand) No. 4172

SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
ASSETS					
Current assets					
Cash and cash equivalents		405,781,751	300,672,134	353,636,512	261,931,679
Current portion of rights of claim under hire purchase contracts - net	6	-	67,728,334	-	-
Current portion of hire purchase receivables - net	7, 12	302,486,757	402,727,732	302,486,757	403,019,146
Current portion of financial lease contract receivables - net	8, 12	52,844,067	59,660,833	52,844,067	59,660,833
Short-term loans to related parties - net	12	59,002,500	14,903,472	55,002,500	203,741,811
Short-term loans to unrelated parties - net	9	4,120,000	18,376,500	4,120,000	18,376,500
Amounts due from related parties - net	12	256,929	6,781	240,775	3,045,413
Assets foreclosed		12,067,912	8,804,074	12,067,912	7,557,721
Less: Allowance for impairment		(9,254,826)	(4,208,278)	(9,254,826)	(4,130,151)
Assets foreclosed - net		2,813,086	4,595,796	2,813,086	3,427,570
Other current assets		12,393,068	4,706,690	12,234,540	4,311,687
Total current assets		839,698,158	873,378,272	783,378,237	957,514,639

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 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
Non-current assets					
Restricted investments	10				
Deposits at financial institutions		-	137,483,462	-	39,073,842
Promissory notes		7,000,000	15,000,000	7,000,000	15,000,000
Bill of exchange		-	79,835,074	-	-
Total restricted investments		7,000,000	232,318,536	7,000,000	54,073,842
Rights of claim under hire purchase contracts – net of current portion	6	-	3,957,789	-	-
Hire purchase receivables – net of current portion	7, 12	239,665,000	478,217,290	239,665,000	478,217,290
Financial lease contract receivables – net of current portion	8, 12	55,194,032	91,570,857	55,194,032	91,570,857
Investments in subsidiaries – net	11	-	-	60,002,600	60,002,600
Vehicles for lease – net	13	2,787,650	6,443,332	2,305,380	3,196,019
Equipment – net	14	15,443,236	18,617,805	14,807,395	18,488,057
Participation in rights over the Company's debt	15	-	347,052,021	-	347,052,021
Litigated receivables on which courts have ruled		123,117,707	132,484,289	123,117,707	132,484,289
Less: Allowance for doubtful accounts		(123,117,707)	(132,484,289)	(123,117,707)	(132,484,289)
Litigated receivables on which courts have ruled – net		-	-	-	-
Other non-current assets – net		5,357,494	8,576,932	5,327,494	8,348,476
Total non-current assets		325,447,412	1,186,754,562	384,301,901	1,060,949,162
TOTAL ASSETS		1,165,145,570	2,060,132,834	1,167,680,138	2,018,463,801

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 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term loan from financial institution	16	-	88,398,978	-	88,398,978
Trade accounts payable					
Related parties	12	41,933	199,471	41,933	7,754,610
Unrelated parties		-	3,189,137	-	3,176,795
Total trade accounts payable		41,933	3,388,608	41,933	10,931,405
Current portion of liabilities under hire					
purchase agreement	17	-	329,086	-	-
Current portion of debentures	18	-	52,000,000	-	-
Current portion of debt under Replacement					
Restructuring Agreement	19	97,534,404	398,907,062	97,534,404	398,907,062
Accrued interest expenses		119,617	67,970,805	119,617	67,600,394
Value added tax payable		2,676,867	3,133,517	2,676,867	3,133,517
Deferred subsidy income - net		2,576,425	5,973,653	2,576,425	5,973,653
Other current liabilities		7,315,137	12,972,491	6,980,938	12,779,478
Total current liabilities		110,264,383	633,074,200	109,930,184	587,724,487

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 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
Non-current liabilities					
Debt under replacement restructuring agreement – net of current portion	79	103,326,966	563,419,486	103,326,966	563,419,486
Advance for purchase of option and guarantee deposits	8	41,348,341	47,363,857	41,348,341	47,363,857
Total non-current liabilities		144,675,307	610,783,343	144,675,307	610,783,343
TOTAL LIABILITIES		254,939,690	1,243,857,543	254,605,491	1,198,507,830
Shareholders' equity					
Share capital					
Registered share capital					
60,000,000 ordinary shares of Baht 10 each		600,000,000	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	600,000,000
Share premium		132,816,567	132,816,567	132,816,567	132,816,567
Retained earnings					
Appropriated – statutory reserve		7,000,901	7,000,901	7,000,901	7,000,901
Unappropriated		170,388,412	76,457,823	173,257,179	80,138,503
Total shareholders' equity		910,205,880	816,275,291	913,074,647	819,955,971
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,165,145,570	2,060,132,834	1,167,680,138	2,018,463,801

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 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
Revenues					
Hire purchase interest income	12	52,854,911	66,606,675	52,857,332	66,710,346
Financial lease interest income	12	5,886,252	8,008,398	5,886,252	8,008,398
Rights of claim under hire purchase contracts interest income		434,660	13,332,533	-	-
Revenue under rental and service contracts		2,470,701	10,766,179	988,000	1,680,920
Service income	12	-	421,420	1,459,121	4,440,000
Exchange gains		15,027,080	29,761,474	15,027,080	29,761,474
Interest income	12	16,952,705	16,257,404	17,404,199	25,063,969
Gains on sales of assets foreclosed		-	5,889,969	-	-
Other income	12	17,591,188	19,329,530	16,963,312	18,588,250
Total revenues		111,217,497	170,373,582	110,585,296	154,253,357
Expenses					
Administrative expenses		120,406,765	124,350,033	115,158,128	103,893,580
Reversal of allowance for doubtful accounts		(4,304,996)	(27,985,216)	(3,724,996)	(27,405,216)
Loss on sales of assets foreclosed		1,576,128	-	6,590,757	5,732,641
Directors' remuneration		9,623,000	3,097,000	9,623,000	3,097,000
Total expenses		127,300,897	99,461,817	127,646,889	85,318,005
Income (loss) before interest expenses and corporate income tax		(16,083,400)	70,911,765	(17,061,593)	68,935,352
Interest expenses		(39,012,225)	(73,381,765)	(38,845,945)	(67,213,780)
Corporate income tax	20	-	(280,875)	-	-
Income (loss) from ordinary activities		(55,095,625)	(2,750,875)	(55,907,538)	1,721,572
Extraordinary item					
Gain from offsetting between debt under Replacement Restructuring Agreement with participation in rights over the Company's debt - net	22	239,025,764	-	239,025,764	-
Net income (loss) for the year		183,930,139	(2,750,875)	183,118,226	1,721,572
Basic earnings (loss) per share					
Income (loss) from ordinary activities	27	(0.92)	(0.05)	(0.93)	0.03
Extraordinary item		3.98	-	3.98	-
Net income		3.07	(0.05)	3.05	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 SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements				
	Issued and paid-up	Share premium	Retained earnings		Total
	Share capital		Appropriated	Unappropriated	
Balance as at 1 January 2006	600,000,000	132,816,567	6,914,822	79,294,777	819,026,166
transferred to statutory reserve	-	-	86,079	(86,079)	-
Net loss for the year	-	-	-	(2,750,875)	(2,750,875)
Balance as at 31 December 2006	600,000,000	132,816,567	7,000,901	76,457,823	816,275,291
Net income for the year	-	-	-	183,930,139	183,930,139
Dividend paid (Note 23)	-	-	-	(89,999,550)	(89,999,550)
Balance as at 31 December 2007	600,000,000	132,816,567	7,000,901	170,388,412	910,205,880

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

SCANDINAVIAN LEASING PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Separate financial statements				Total
	Issued and paid-up	Share premium	Retained earnings		
	Share capital		Appropriated	Unappropriated	
Balance as at 1 January 2006					
(Previously reported by other auditor)	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)
Balance as at 1 January 2006 (Restated)	600,000,000	132,816,567	6,914,822	78,503,010	818,234,399
transferred to statutory reserve	-	-	86,079	(86,079)	-
Net income for the year	-	-	-	1,721,572	1,721,572
Balance as at 31 December 2006	600,000,000	132,816,567	7,000,901	80,138,503	819,955,971
Net income for the year	-	-	-	183,118,226	183,118,226
Dividend paid (Note 23)	-	-	-	(89,999,550)	(89,999,550)
Balance as at 31 December 2007	600,000,000	132,816,567	7,000,901	173,257,179	913,074,647

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 2007 AND 2006

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Cash flows from operating activities				
Net income (loss) for the year	(183,930,139)	(2,750,875)	183,118,226	1,721,572
Adjustments to reconcile net income (loss) to net cash provided by (paid for) operating activities: -				
Depreciation and amortisation	11,392,844	21,235,546	9,731,666	11,894,094
Reversal of allowance for doubtful accounts	(4,304,996)	(27,985,216)	(3,724,996)	(27,405,216)
Gains on sales of equipment	(1,810,492)	(747,661)	(1,234,036)	(747,661)
Loss on sales of vehicles for lease	1,661,440	345,973	1,661,440	345,973
Exchange gain from repayment of loans	(27,436,310)	(1,400,697)	(27,463,310)	(1,400,697)
Unrealised exchange gain - net	(3,164,729)	54,740,799	(3,164,729)	(54,740,799)
Loss on impairment of assets foreclosed	6,927,787	6,087,228	7,005,915	6,009,100
Loss (gain) on sales of assets foreclosed	(4,743,439)	(11,839,864)	196,262	(139,127)
Gain from offsetting between debt under Replacement Restructuring Agreement with participation in rights over the Company's debt	(276,603,779)	-	(276,603,779)	-
Loss from operating activities before change in operating assets and liabilities	(114,178,535)	(71,796,365)	(110,477,341)	(64,462,761)
Decrease (increase) in operating assets				
Rights of claim under hire purchase contracts	72,847,784	235,890,978	-	-
Hire purchase receivables	334,687,735	237,530,794	334,979,150	240,656,932
Financial lease receivables	44,290,840	42,426,064	44,290,840	42,426,064
Amounts due from related parties	(250,148)	2,202,844	265,733	593,092
Assets foreclosed	10,725,608	47,603,227	3,243,925	27,173,320
Value added tax refundable	3,569	(20,182)	-	-
Other current assets	(7,689,946)	3,516,708	(5,963,951)	1,876,777
Other non-current assets	(737,037)	(1,258,182)	(935,492)	(3,036,733)

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 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Increase (decrease) in operating liabilities				
Trade accounts payable – related parties	(157,538)	(8,636,346)	(157,538)	(8,636,346)
Trade accounts payable – unrelated parties	(3,189,137)	(460,542)	(3,176,795)	(442,898)
Amounts due to related parties	–	(2,259,600)	7,555,139	513,326
Accrued interest expenses	18,324,166	44,122,079	18,694,578	45,904,325
Value added tax payable	(456,650)	1,343,780	(456,650)	1,385,885
Corporate income tax payable	–	(436,544)	–	–
Deferred subsidy income	(3,397,228)	(5,332,129)	(3,397,228)	(5,332,129)
Other current liabilities	(5,657,354)	805,660	(5,798,542)	1,097,486
Advance for purchase of option and guarantee deposits	(6,015,516)	(4,009,991)	(6,015,516)	(4,009,991)
Net cash from operating activities	339,150,613	521,232,253	257,540,034	275,706,349
Cash flows from investing activities				
Decrease (increase) in short-term loans to unrelated parties	11,376,500	(8,836,603)	11,376,500	(8,836,603)
Decrease (increase) in short-term loans to related parties	(44,099,028)	(14,903,472)	149,900,972	(4,903,472)
Increase in participation in rights over the Company's debt	(102,883,583)	(220,216,788)	(102,883,583)	(220,216,788)
Decrease in restricted investments	225,318,536	50,471,239	47,073,842	25,926,158
Proceeds from sales of equipment	1,405,933	747,664	827,335	747,664
Proceeds from sales of vehicles for lease	579,439	934,579	579,439	934,579
Acquisition of equipment	(2,118,443)	(7,253,999)	(1,418,442)	(7,253,999)
Acquisition of vehicles for lease	(2,419,626)	–	(2,419,626)	–
Net cash from (used in) investing activities	87,159,728	(199,057,380)	103,036,437	(213,602,461)

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 2007 AND 2006

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Cash flows from financing activities				
Decrease in liabilities under hire purchase agreement	(329,086)	(4,262,823)	-	-
Repayment of unsubordinated debentures	(52,000,000)	(247,500,000)	-	-
Repayment of short-term loan from financial institution	(87,272,976)	-	(87,272,976)	-
Repayment of debt under Replacement Restructuring Agreement	(91,599,112)	(55,996,279)	(91,599,112)	(55,996,279)
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)	-	(39,871,252)
Dividend paid	(89,999,550)	-	(89,999,550)	-
Net cash used in financing activities	(321,200,724)	(255,980,600)	(268,871,638)	(4,217,777)
Net increase in cash and cash equivalents	105,109,617	66,194,273	91,704,833	57,886,111
Cash and cash equivalents at beginning of year	300,672,134	234,477,859	261,931,679	204,045,568
Cash and cash equivalents at end of year	405,781,751	300,672,132	353,636,512	261,931,679
Supplemental disclosure of cash flows information				
Cash paid during the year for: -				
Interest expenses	20,688,058	29,259,686	20,151,368	21,309,455
Corporate income tax	45,035,375	1,309,097	45,030,077	476,719
Non-cash transaction: -				
Properties foreclosed transferred from hire purchase and financial lease contract receivables	13,693,562	28,010,050	13,693,562	28,010,050
Offsetting between debt under Replacement Restructuring Agreement with participation in rights over the Company's debt	434,899,301	-	434,899,301	-
Equipment transferred from vehicle for lease	841,122	-	841,122	-
Proceed of vehicle by hire purchase	800,000	-	800,000	-

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 2007

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, which was incorporated in Thailand. The Company is principally engaged in hire purchase and rental service of cars and its registered address is 142, 20th Floor, Two Pacific Place, Sukhumvit Road, Klongtoey, Bangkok.

The Annual General Meeting of the shareholders held on 25 April 2007 passed a resolution to amend the Company’s objectives, in order to give the Company the option of pursuing other lines of business. The Company is currently considering the alternative lines of business available, such as the real estate business.

The meeting of the Board of Directors held on 27 September 2007 approved the downsizing of the Company’s hire purchase and rental service of cars business. As a result, a number of staff and office space have been reduced.

2. BASIS OF PREPARATION

2.1 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.

2.2 Basis of consolidation

a) 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	
		2007	2006		2007	2006	2007	2006
Scan Transport Service Ltd.	Operating lease and maintenance services	99.99	99.99	Thailand	4.54	2.53	7.14	13.28
Scan AMC Co., Ltd.	Asset management	99.99	99.99	Thailand	0.05	0.03	-	-
Auto Receivables SPV Co., Ltd.	Special purpose vehicle	100.00	100.00	Thailand	0.34	12.58	0.71	8.91

- b) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notification No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notification mandates the use of the following new Accounting Standards.

a) Accounting Standards which are not effective for the current year

- TAS 44 (revised 2007) Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007) Investments in Associates
TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the fourth quarter of the 2006, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44 as discussed in Note 4.

b) Accounting Standards which are not effective for the current year

- TAS 25 (revised 2007) Cash Flow Statements
TAS 29 (revised 2007) Leases
TAS 31 (revised 2007) Inventories
TAS 33 (revised 2007) Borrowing Costs
TAS 35 (revised 2007) Presentation of Financial Statements
TAS 39 (revised 2007) Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007) Interim Financial Reporting
TAS 43 (revised 2007) Business Combinations
TAS 49 (revised 2007) Construction Contracts
TAS 51 Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for the following accounting standard.

TAS 29 (revised 2007) “Leases”

TAS 29 (revised 2007) requires finance lease income, which is stated net of initial direct costs, to be recognised using the effective interest rate method.

This accounting standard applies to lease agreements with effective dates on or after 1 January 2008. With finance leases pre-existing before 1 January 2008, the Company has chosen to apply the existing sum-of-the-year’s-degits method until the lease expires.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS

During the fourth quarter of 2006, the Company changed its accounting policy for recording investments in subsidiary companies in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the separate financial statements for the year ended 31 December 2006, as though the investments in the subsidiary companies had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statements for the year ended 31 December 2006 by Baht 4.5 million (Baht 0.07 per share). 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 statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiary companies in the Company’s separate financial statements, with no effect to the consolidated financial statements.

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 recognised when services have been rendered taking into account the stage of completion.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, 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 2007 would increase by Baht 4.5 million (31 December 2006: increase by Baht 4.9 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 1.39 percent of the net financed amounts. As at 31 December 2007 and 2006, 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 20.53 percent and 13.86 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 are accounted for in the separate financial statements using 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

Salaries, 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 2007 and 2006, the balances of rights of claim under hire purchase contracts are as follows: -

		(Unit: Baht)					
		Consolidated financial statements					
		Current portion of rights of claim under hire purchase contracts		Rights of claim under hire purchase contracts - net of current portion		Total	
		2007	2006	2007	2006	2007	2006
Rights of claim under hire purchase contracts		-	71,329,143	-	3,996,943	-	75,326,086
Less: Unearned interest income		-	(2,262,796)	-	(39,154)	-	(2,301,950)
Total		-	69,066,347	-	3,957,789	-	73,024,136
Less: Allowance for doubtful accounts		-	(1,161,661)	-	-	-	(1,161,661)
Suspense account from accounts receivable		-	(176,352)	-	-	-	(176,352)
Rights of claim under hire purchase contracts - net		-	67,728,334	-	3,957,789	-	71,686,123

6.2 As at 31 December 2007 and 2006, 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)

Consolidated financial statements							
Aging	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	
	2007	2006		2007	2006	2007	2006
	Not yet due to past due						
not exceeding 7 days	-	57,477,611	0.5	-	(287,388)	-	57,190,223
Past due							
over 7 - 90 days	-	12,107,163	1	-	(121,072)	-	11,986,091
over 90 - 180 days	-	3,357,701	20	-	(671,540)	-	2,686,161
over 180 days	-	81,661	100	-	(81,661)	-	-
Total	-	73,024,136		-	(1,161,661)	-	71,862,475
Less: Suspense account from accounts receivable				-	-	-	(176,352)
Rights of claim under hire purchase contracts - net				-	(1,161,661)	-	71,686,123

During the first quarter of the current year, Auto Receivables SPV Co., Ltd. transferred all the full net balances of rights of claim under hire purchase contracts, amounting to approximately Baht 63 million, in partial settlement of loans from the Company as discussed in Note 12.

7. HIRE PURCHASE RECEIVABLES

7.1 As at 31 December 2007 and 2006, the balances of hire purchase receivables were as follows: -

(Unit: Baht)

Consolidated financial statements						
	Current portion of hire purchase receivables		Hire purchase receivables - net of current portion		Total	
	2007	2006	2007	2006	2007	2006
Hire purchase receivables	344,598,802	457,219,326	254,491,405	507,385,127	599,090,207	964,604,453
Less: Unearned interest income	(26,278,969)	(42,095,448)	(14,826,405)	(29,167,837)	(41,105,374)	(71,263,285)
Total	318,319,833	415,123,878	239,665,000	478,217,290	557,984,833	893,341,168
Less: Allowance for doubtful accounts	(14,724,298)	(11,583,855)	-	-	(14,724,298)	(11,583,855)
Suspense account from accounts receivable	(1,108,778)	(812,291)	-	-	(1,108,778)	(812,291)
Hire purchase receivables - net	302,486,757	402,727,732	239,665,000	478,217,290	542,151,757	880,945,022

(UNAUDITED BUT REVIEWED)

(Unit: Baht)

	Separate financial statements					
	Current portion of hire purchase receivables		Hire purchase receivables - net of current portion		Total	
	2007	2006	2007	2006	2007	2006
Hire purchase receivables	344,598,802	457,513,161	254,491,405	507,385,127	599,090,207	964,898,288
Less: Unearned interest income	(26,278,969)	(42,097,869)	(14,826,405)	(29,167,837)	(41,105,374)	(71,265,706)
Total	318,319,833	415,415,292	239,665,000	478,217,290	557,984,833	893,632,582
Less: Allowance for doubtful accounts	(14,724,298)	(11,583,855)	-	-	(14,724,298)	(11,583,855)
Suspense account from accounts receivable	(1,108,778)	(812,291)	-	-	(1,108,778)	(812,291)
Hire purchase receivables - net	302,486,757	403,019,146	239,665,000	478,217,290	542,151,757	881,236,436

7.2 As at 31 December 2007 and 2006, 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 financial statements						
	Hire purchase receivables		Percentage allowance set up by the Company	Allowance for doubtful accounts		Hire purchase receivables - net	
	2007	2006		2007	2006	2007	2006
Hire purchase receivables							
Not yet due to past due							
not exceeding 7 days	459,748,615	772,218,756	0.5	(2,298,743)	(3,861,094)	457,449,872	768,357,662
Past due							
over 7 - 90 days	78,629,528	104,120,704	1	(786,295)	(1,041,207)	77,843,233	103,079,497
over 90 - 180 days	9,959,288	12,902,014	20	(1,991,858)	(2,580,403)	7,967,430	10,321,611
over 180 days	3,600,009	1,514,987	100	(3,600,009)	(1,514,987)	-	-
Receivables under litigation	6,047,393	2,584,707	100	(6,047,393)	(2,584,707)	-	-
Total	557,984,833	893,341,168		(14,724,298)	(11,582,398)	543,260,535	881,758,770
Less: Allowance for doubtful accounts				-	(1,457)	-	(1,457)
Suspense account from accounts receivable				-	-	(1,108,778)	(812,291)
Hire purchase receivables - net				(14,724,298)	(11,583,855)	542,151,757	880,945,022

(Unit: Baht)

Separate financial statements							
Aging	Hire purchase receivables		Percentage allowance set up by the Company	Allowance for doubtful accounts		Hire purchase receivables - net	
	2007	2006		2007	2006	2007	2006
Hire purchase receivables							
Not yet due to past due							
not exceeding 7 days	459,748,615	772,510,170	0.5	(2,298,743)	(3,862,551)	457,449,872	768,647,619
Past due							
over 7 - 90 days	78,629,528	104,120,704	1	(786,295)	(1,041,207)	77,843,233	103,079,497
over 90 - 180 days	9,959,288	12,902,014	20	(1,991,858)	(2,580,403)	7,967,430	10,321,611
over 180 days	3,600,009	1,514,987	100	(3,600,009)	(1,514,987)	-	-
Receivables under							
litigation	6,047,393	2,584,707	100	(6,047,393)	(2,584,707)	-	-
Total	<u>557,984,833</u>	<u>893,632,582</u>		<u>(14,724,298)</u>	<u>(11,583,855)</u>	543,260,535	882,048,727
Less: Suspense account from accounts receivable				-	-	(1,108,778)	(812,291)
Hire purchase receivables - net				<u>(14,724,298)</u>	<u>(11,583,855)</u>	542,151,757	881,236,436

- 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. However, the Company paid full repayment of its loans during the year and has therefore withdrawn the security provided under such agreement.

8. FINANCIAL LEASE CONTRACT RECEIVABLES

8.1 As at 31 December 2007 and 2006, the balances of financial lease contract receivables are as follows: -

(Unit: Baht)

	Consolidated and separate financial statements					
	Current portion of financial lease contract receivables		Financial lease contract receivables - net of current portion		Total	
	2007	2006	2007	2006	2007	2006
Financial lease contract receivables	68,954,148	79,473,011	57,077,600	95,248,862	126,031,748	174,721,873
Less: Unearned interest income	(2,929,403)	(4,832,991)	(1,883,568)	(3,678,005)	(4,812,971)	(8,510,996)
Total	66,024,745	74,640,020	55,194,032	91,570,857	121,218,777	166,210,877
Less: Allowance for doubtful accounts	(13,180,678)	(14,979,187)	-	-	(13,180,678)	(14,979,187)
Financial lease contract receivables - net	52,844,067	59,660,833	55,194,032	91,570,857	108,038,099	151,231,690

8.2 As at 31 December 2007 and 2006, the balances of financial lease contract receivables (net of unearned interest income) and allowance for doubtful accounts are classified by aging as follows: -

Consolidated and separate financial statements												
Aging	Financial lease contract receivables			Advance for purchase of option and guaratee deposits			Percentage allowance set up by the Company		Financial lease contract receivables - net			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
Financial lease contract receivables												
Not yet due to past due not exceeding 7 days	102,368,423	143,930,112	(34,886,244)	(40,089,760)	67,482,179	103,840,352	0.5		(337,411)	(519,202)	67,144,768	103,321,150
Past due												
over 7 - 90 days	809,489	1,995,999	-	(170,000)	809,489	1,825,999	1		(8,094)	(18,260)	801,395	1,807,739
over 90 - 180 days	-	-	-	-	-	-	20		-	-	-	-
over 180 days	6,979,144	9,223,045	(6,462,097)	(7,104,097)	517,047	2,118,948	100		(517,047)	(2,118,948)	-	-
Receivables under litigation	11,061,721	11,061,721	-	-	11,061,721	11,061,721	100		(11,061,721)	(11,061,721)	-	-
Total	121,218,777	166,210,877	(41,348,341)	(47,363,857)	79,870,436	118,847,020			(11,924,273)	(13,718,131)	67,946,163	105,128,889
Less: Allowance for doubtful accounts									(1,256,405)	(1,261,056)	(1,256,405)	(1,261,056)
Add: Advance for purchase of option and guarantee deposits									-	-	41,348,341	47,363,857
Financial lease contract receivables - net									(13,180,678)	(14,979,187)	108,038,099	151,231,690

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 percent per annum.

On 12 July 2007, the meeting of the Board of Directors approved to grant a credit facility in a form of short-term loans amounting to Baht 64 million to a real estate company to finance project. The loans are secured by share certificates of that company, and subject to interest at a rate of 12 percent per annum. Principal is to be repaid in installments, with the final installment and all interest to be paid in January 2008. However, that company paid full repayment of its loans during the year and has therefore withdrawn the security provided under such agreement.

During the period, movements in the balances of loans to unrelated parties were as follows: -

(Unit: Baht)

Consolidated and separate financial statements					
	31 December 2006	Increase	Decrease	Allowance doubtful accounts	31 December 2007
Short-term loans	18,376,500	40,933,757	(52,310,257)	(2,880,000)	4,120,000

10. RESTRICTED INVESTMENTS

- 10.1 A promissory note of Baht 7 million (2006: Baht 15 million) has been pledged to secure the Company's debt service reserve account under the Replacement Restructuring Agreement, 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, the outstanding balances of such reserve accounts are Baht 178 million. However, the subsidiary made full settlement of the outstanding debentures in the first quarter of the current year, and has therefore drawn on the amounts reserved.
- 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. However, the Company withdrew the right granted to withdraw these funds because the Company paid full repayment of its loans during the year.

11. INVESTMENTS IN SUBSIDIARIES

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

(Unit: Baht)

		Separate financial statements						Dividend received for the years ended 31 December	
Ownership interest		Paid-up capital		Cost method		2007	2006	2007	2006
2007	2006	2007	2006	2007	2006				
(Percent) (Percent)									
Subsidiaries									
Scan Transport Service Limited									
99.99	99.99	60,000,000	60,000,000	60,000,000	60,000,000	-	-	-	-
Scan AMC Co., Ltd.									
99.99	99.99	600,000,000	600,000,000	600,000,000	600,000,000	-	-	-	-
Less: Allowance for impairment									
				(600,000,000)	(600,000,000)				
Net									
				-	-	-	-	-	-
Auto Receivables SPV Company Limited									
100.00	100.00	2,600	2,600	2,600	2,600	-	-	-	-
				60,002,600	60,002,600	-	-	-	-

12. RELATED PARTY TRANSACTIONS

In addition to nature of relationship between the Company and related companies except its subsidiaries as stated in Note 2.2, which are summarised as follows:

Company's name	Relationship
SMC Motors Plc.	49.90% shareholding in the Company
Sedona Co., Ltd.	Related by the way of common director
Deva Development Plc. (formerly known as "Deva Property Plc.")	Related by the way of common director
Phannita Property Ltd.	Related company with Deva Development Plc.
SMC Communication Services Ltd.	a subsidiary company of SMC Motors Plc.

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 business between the Company and those companies. Below is a summary of those transactions.

(Unit: Baht)

	Consolidated		Separate financial		Transfer pricing policy
	financial statements	financial statements	statements	statements	
	2007	2006	2007	2006	
Transactions with subsidiary companies					
(eliminated from consolidated financial statements)					
Hire purchase interest income	-	-	2,421	103,671	Market price
Service income	-	-	1,080,000	1,440,000	Baht 0.09 million per month for the year 2007 and Baht 0.15 million per month for the year 2006
Interest income	-	-	1,393,699	11,580,000	5 and 5.5 percent per annum
Other income	-	-	379,121	3,000,000	Baht 0.25 million per month
Transactions with related companies					
Hire purchase Interest income	91,668	12,317	91,668	12,317	Market price
Financial lease interest income	69,398	138,219	69,398	138,219	Market price
Interest income	2,344,555	1,206,233	1,932,472	-	7.37 - 15.00 percent per annum

The balances of accounts as at 31 December 2007 and 2006 between the Company and those related companies are as follows: -

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2007	2006	2007	2006
Hire purchase contract receivables				
- net of unearned interest income				
Deva Development Plc.		690,456	-	690,456
Phannita Property Ltd.		489,136	194,242	489,136
Scan Transport Service Ltd.				
(eliminated from consolidated financial statements)		-	-	291,414
Total		1,179,592	194,242	1,179,592
				485,656

(Unit: Baht)

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2007	2006	2007	2006
Financial lease contract receivables				
- net of unearned interest income				
Deva Development Plc.	809,489	1,374,773	809,489	1,374,773
Sedona Co., Ltd.	431,296	621,226	431,296	621,226
Total	1,240,785	1,995,999	1,240,785	1,995,999
Short-term loans to related parties				
SMC Motors Plc.	35,802,500	14,903,472	31,802,500	4,903,472
Deva Development Plc.	19,200,000	-	19,200,000	-
SMC Communication Services Ltd.	4,000,000	-	4,000,000	-
Scan AMC Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	11,600,000	11,600,000
Auto Receivables SPV Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	-	200,000,000
Total	59,002,500	14,903,472	66,602,500	216,503,472
Less: Allowance for doubtful accounts	-	-	(11,600,000)	(12,761,661)
Net	59,002,500	14,903,472	55,002,500	203,741,811
Receivables from related parties				
SMC Motors Plc.	93,861	6,781	77,707	-
Deva Development Plc.	163,068	-	163,068	-
Scan AMC Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	50,181,411	49,601,411
Auto Receivables SPV Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	-	3,045,413
Total	256,929	6,781	50,422,186	52,646,824
Less: Allowance for doubtful accounts	-	-	(50,181,411)	(49,601,411)
Net	256,929	6,781	240,775	3,045,413
Trade accounts payable - related parties				
SMC Motors Plc.	41,933	199,471	41,933	199,471
Auto Receivables SPV Co., Ltd.				
(eliminated from consolidated financial statements)	-	-	-	7,555,139
Total	41,933	199,471	41,933	7,754,610

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

(Unit: Baht)

	Consolidated financial statements			
	31 December 2006	Increase	Decrease	31 December 2007
Short-term loans to related parties				
SMC Motors Plc.	14,903,472	37,922,500	(17,023,472)	35,802,500
Deva Development Plc.	-	19,200,000	-	19,200,000
SMC Communication Services Ltd.	-	4,000,000	-	4,000,000
Total	14,903,472	61,122,500	(17,023,472)	59,002,500

(Unit: Baht)

	Separate financial statements			
	31 December 2006	Increase	Decrease	31 December 2007
Short-term loans to related parties				
SMC Motors Plc.	4,903,472	37,922,500	(11,023,472)	31,802,500
Deva Development Plc.	-	19,200,000	-	19,200,000
SMC Communication Services Ltd.	-	4,000,000	-	4,000,000
Scan AMC Co., Ltd.	11,600,000	-	-	11,600,000
Auto Receivables SPV Co., Ltd.	200,000,000	-	(200,000,000)	-
Total	216,503,472	61,122,500	(211,023,472)	66,602,500
Less: Allowance for doubtful accounts	(12,761,661)	-	1,161,661	(11,600,000)
Net	203,741,811	61,122,500	(209,861,811)	55,002,500

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 a credit facility for car dealer in a form of short-term loans amounting to Baht 31.8 million to SMC Motors Plc. The loans are secured by cars, and subject to interest at a rate of 12 and 15 percent per annum.

The Company has granted short-term loan amounting to Baht 4 million to SMC Communication Services Ltd. The loan has no collateral, and is subject to interest at a rate of 9.50 percent per annum.

The Company has granted short-term loans amounting to Baht 19.2 million to Deva Development Plc. The loans are secured by share certificates of that company, and subject to interest at a rate of 10 percent per annum.

A subsidiary company has granted a short-term loan amounting to Baht 4 million to SMC Motors Plc. The loan has no collateral, and is subject to interest at a rate of 7.37 percent per annum.

During the first quarter of the current year, Auto Receivables SPV Co., Ltd. settled short-term loans of the Company by transferring the full net balance of the rights of claims under hire purchase contracts, amounting to approximately Baht 63 million, and making cash settlement of the remainder, as discussed in Note 6.2.

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 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 30 June 2004 (Cut-off date) and the remaining terms of the contracts are less than 48 months.
- The effective interest rate is not less than 5 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.

(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.

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

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 management's remuneration

In 2007 the Company paid salaries, meeting allowance and remuneration to their directors and management totaling Baht 31.7 million (2006: Baht 26.0 million). These are included extraordinary directors' remuneration, exclusive of the directors' annual remuneration, totaling Baht 6.1 million, approved by Extraordinary General Meeting of the Shareholders No. 1/2007 on 18 September 2007.

13. VEHICLES FOR LEASE

Movements of the vehicles for lease account during the year ended 31 December 2007 are summarised below.

	(Unit: Baht)	
	Consolidated financial statements	Separate financial statements
Cost		
Balance as at 31 December 2006	29,206,452	4,347,664
Acquisitions during the year	2,419,626	2,419,626
Disposals during the year	(23,495,538)	(4,347,663)
Balance as at 31 December 2007	8,130,540	2,419,627
Accumulated depreciation		
Balance as at 31 December 2006	22,763,120	1,151,645
Depreciation during the year	1,697,678	228,264
Depreciation on disposals	(19,117,908)	(1,265,662)
Balance as at 31 December 2007	5,342,890	114,247
Net book value		
Balance as at 31 December 2006	6,443,332	3,196,019
Balance as at 31 December 2007	2,787,650	2,305,380
Depreciation for the year:		
(included in administrative expenses)		
2006	9,507,604	674,520
2007	1,697,678	228,264

As at 31 December 2007, certain vehicles for lease have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 3.6 million (2006: Baht 5.8 million) (Separate financial statement: None).

14. EQUIPMENT

(Unit: Baht)

	Consolidated financial statements		
	Furniture, fixtures and office equipment		
	Vehicles	and office equipment	Total
Cost:			
As at 31 December 2006	33,185,874	28,173,911	61,359,785
Additions	1,600,000	1,359,565	2,959,565
Disposals	(8,604,097)	(9,034,186)	(17,638,283)
As at 31 December 2007	26,181,777	20,499,290	46,681,067
Accumulated depreciation:			
As at 31 December 2006	16,282,499	26,459,481	42,741,980
Depreciation for the year	5,149,591	589,102	5,738,693
Depreciation on disposals	(8,214,727)	(9,028,115)	(17,242,842)
As at 31 December 2007	13,217,363	18,020,468	31,237,831
Net book value:			
As at 31 December 2006	16,903,375	1,714,430	18,617,805
As at 31 December 2007	12,964,414	2,478,822	15,443,236
Depreciation for the year: (included in administrative expenses)			
2006			5,068,404
2007			5,738,693

(Unit: Baht)

	Separate financial statements		
	Furniture, fixtures and office equipment		
	Vehicles	and office equipment	Total
Cost:			
As at 31 December 2006	30,911,545	27,373,785	58,285,330
Additions	900,000	1,359,564	2,259,564
Disposals	(6,225,454)	(8,707,545)	(14,932,999)
As at 31 December 2007	25,586,091	20,025,804	45,611,895
Accumulated depreciation:			
As at 31 December 2006	14,034,905	25,762,368	39,797,273
Depreciation for the year	5,003,657	543,270	5,546,927
Depreciation on disposals	(5,836,086)	(8,703,614)	(14,539,700)
As at 31 December 2007	13,202,476	17,602,024	30,804,500
Net book value:			
As at 31 December 2006	16,876,640	1,611,417	18,488,057
As at 31 December 2007	12,383,615	2,423,780	14,807,395
Depreciation for the year: (included in administrative expenses)			
2006			4,560,037
2007			5,546,927

As at 31 December 2007, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 18.6 million (2006: Baht 29.6 million) (separate financial statement: Baht 18.3 million 2006: Baht 29.1 million).

15. PARTICIPATION IN THE RIGHTS OVER THE COMPANY'S DEBT

The Company entered into four 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	
		USD million	Baht million
2 December 2005	Asian Advisory Group Pte Ltd.	2.94	-
3 August 2006	Variant Assets Capital Inc.	6.37	-
16 January 2007	Variant Assets Capital Inc.	-	50.43
19 April 2007	Variant Assets Capital Inc.	1.88	-
Total		11.19	50.43

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.

During the second quarter of the current year, the Company has transferred all the balances of participant in the rights over the Company's debt to offset with the debts bought back from the parties of Fund Participation Agreement under the Replacement Restructuring Agreement as discussed in Note 19.

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 7.3, 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.

During the second quarter of the current year, the Company paid full repayment of its loans.

17. LIABILITIES UNDER HIRE PURCHASE CONTRACTS

	(Unit: Baht)	
	Consolidated financial statements	
	2007	2006
Liabilities under hire purchase contracts	-	335,804
Less: Deferred interest expense	-	(6,718)
Net	-	329,086

18. DEBENTURES

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

<u>Due date</u>	<u>Repayment amount</u> (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 <hr/>

The subsidiary company made repayment of its remaining debentures during the year of 2007.

Movements in the debenture account during the year ended 31 December 2007 are summarised below.

	(Unit: Baht)
	Consolidated financial statements
Balance as at 1 January 2007	52,000,000
Less: Repayment	(52,000,000)
Balance as at 31 December 2007	-

19. DEBT UNDER REPLACEMENT RESTRUCTURING AGREEMENT

	Consolidated and Separate financial statements			
	2007		2006	
	Foreign currency	Baht equivalent	Foreign currency	Baht equivalent
	(USD)	(Baht)	(USD)	(Baht)
Debt under Replacement Restructuring Agreement consists of 2 currencies:				
USD	1,349,104	45,714,394	18,315,111	663,571,115
Thai Baht		155,146,976		298,755,433
Total		200,861,370		962,326,548
Less: Current portion		(97,534,404)		(398,907,062)
Net		103,326,966		563,419,486

Movement in the debt under Replacement Restructuring Agreement account during the year ended 31 December 2007 are summarised below.

	(Unit: Baht)
	Consolidated and separate financial statements
Balance as at 1 January 2007	962,326,548
Less: Repayment	(91,599,112)
Less: Discounted debt buy back	(640,364,029)
Less: Exchange gain from repayment of loan	(26,337,308)
Less: Unrealised gain on exchange	(3,164,729)
Balance as at 31 December 2007	200,861,370

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.

As referred to Note 15, the USD 11.19 million and Baht 50.43 million Fund Participation Agreements entitle the Company to participate in the rights over the Company's debt with a face value of USD 16.35 million and Baht 73.09 million which the counter parties bought from creditors under the Replacement Restructuring Agreement.

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 (this was secured by the pledge of promissory notes of approximately Baht 7 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 income starting from the year 2006, at a rate not exceeding 30 percent of its net income, among others. The RRA is governed by, and shall be construed in accordance with British law.

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 does not consider this delay in payment to be an event of default under the RRA. As the settlement date, principal payable to such lenders totaling USD 16.35 million and Baht 73.09 million, was recorded as the debt while interest payable has been accrued in the financial statements at the normal rates prescribed in the RRA, and amounts to USD 2.28 million and Baht 7.20 million.

In June 2007, the Company bought back debt from creditors who are the parties of Fund Participant Agreement at a discount, under clause 9.4 of the Replacement Restructuring Agreement. Debt bought back amounted to approximately USD 11.07 million and Baht 50.80 million from the total outstanding principal and accrued interest amounting to USD 18.63 million and Baht 80.29 million. The Company made full settlement of this debt by offsetting between amounts of participation in the rights over the Company's debt of USD 11.19 million and Baht 50.43 million and the amounts of debt bought back at discount, as discussed in Note 15.

The Company has presented the gain from this transaction as an extraordinary item in the income statements. In addition, the Company has no further debts and obligations to the above counter parties.

In addition, in May 2007 the Company obtained approval from majority lenders to delete and change some significant conditions of 14 clauses of the Replacement Restructuring Agreement, whereby some conditions such as the net interest coverage ration, hedging, dividend payment not exceeding 30 percent of its net income, and change the scope of its businesses were cancelled. The Company has obtained consent and approval from majority lenders in accordance with the conditions of the Replacement Restructuring Agreement.

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. During the year 2006, the Company terminated a USD 10.7 million forward purchase contracts, 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. However, the Company obtained the consent of majority lenders to the cancellation of the hedging condition under Replacement Restructuring Agreement as mentioned in above paragraph during the second quarter of current year.

20. CORPORATE INCOME TAX

The Company's corporate income tax liabilities for the year ended 31 December 2007 are netted with the extraordinary item discussed in Note 22.

21. BASIC EARNING (LOSS) PER SHARE

Basic earning (loss) 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.

22. EXTRAORDINARY ITEM

As discussed in Notes 15 and 19, the Company bought back discounted debt under the Replacement Restructuring Agreement from creditors who are counterparties to the Fund Participant Agreement, by offsetting the debt against participation in rights over the Company's debt. This offset resulted in a gain and the Company has presented the net income after tax as an extraordinary item in the income statements as follows:

	(Unit: Baht)
	Consolidated and separate financial statements
Debt under Replacement Restructuring Agreement	
Principal	640,364,029
Accrued interest	86,175,354
Total	726,539,383
Participation in rights over the Company's debt	(449,935,604)
Gain from offsetting between debt under Replacement Restructuring Agreement and Participation in rights over the Company's debt	276,603,779
Less: Corporate income tax*	(37,578,015)
net	239,025,764

* Corporate income tax is calculated on net taxable income after deducting tax loss brought forward.

23. DIVIDEND PAID

Dividend declared for the year in 2007 and already recorded consist of the following:

	Approved by	Total dividends (Baht)	Dividends per share (Baht)
Interim dividends on 2007 retained earnings	Extraordinary General Meeting of the shareholders on 18 September 2007	45,000,000	0.75

Such dividend already paid to shareholders in October 2007.

	Approved by	Total dividends (Baht)	Dividends per share (Baht)
Interim dividends on 2007 retained earnings	Board of Directors' meeting on 5 November 2007	45,000,000	0.75

Such dividend already paid to shareholders in November 2007.

24. 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 financial statements		Separate financial statements	
	2007	2006	2007	2006
Number of employees at end of year (persons)	53	81	51	74
Employee costs for the year (Million Baht)	68	56	67	54

26. 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 2007, the Company contributed Baht 3.1 million (2006: Baht 3.7 million) to the fund.

27. 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.

28. COMMITMENTS

As at 31 December 2007, the Company has commitments under office rental and service agreements which future payments are required in the amount are as follows: -

	(Unit: Baht)
	Consolidated Separate financial statements
Within 1 year	5,041
2 - 3 years	1,810
Total	6,851

29. FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Company's financial instruments, 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 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 and long-term borrowings.

Significant financial assets and liabilities as at 31 December 2007 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 financial statements							
Fixed interest rates		Floating		Non-		Effective	
Within		Over		Interest		interest	
1 year	1-5 years	5 years	rate	bearing	Total	rate	
(Baht)						(% p.a.)	
Financial assets							
Cash and cash equivalents	315,964,643	-	-	81,686,636	8,130,472	405,781,751	3.2937
Hire purchase receivable - net	302,486,757	239,665,000	-	-	-	542,151,757	7.2954
Financial lease contract receivables							
- net	52,844,067	55,194,032	-	-	-	108,038,099	5.6774
Short-term loans to related parties							
- net	59,002,500	-	-	-	-	59,002,500	12.3405
Short-term loans to unrelated parties							
- net	4,120,000	-	-	-	-	4,120,000	12.0000
Restricted investments Promissory notes	7,000,000	-	-	-	-	7,000,000	2.7500
Financial liabilities							
Debt under Replacement							
Restructuring Agreement	-	-	-	200,861,370	-	200,861,370	5.2515

Separate financial statements							
Fixed interest rates		Floating		Non-		Effective	
Within		Over		Interest		interest	
1 year	1-5 years	5 years	rate	bearing	Total	rate	
(Baht)						(% p.a.)	
Financial assets							
Cash and cash equivalents	315,340,756	-	-	30,189,138	8,106,618	353,636,512	3.2977
Hire purchase receivable - net	302,486,757	239,665,000	-	-	-	542,151,757	7.2954
Financial lease contract receivables							
- net	52,844,067	55,194,032	-	-	-	108,038,099	5.6774
Short-term loans to related parties							
- net	55,002,500	-	-	-	-	55,002,500	12.7019
Short-term loans to unrelated parties							
- net	4,120,000	-	-	-	-	4,120,000	12.0000
Restricted investments							
Promissory notes	7,000,000	-	-	-	-	7,000,000	2.7500
Financial liabilities							
Debt under Replacement Restructuring							
Agreement	-	-	-	200,861,370	-	200,861,370	5.2515

Foreign currency risk

The Company's exposure to foreign currency risk arises mainly from having 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 liabilities denominated in foreign currencies as at 31 December 2007 are summarised below.

Foreign currency	Financial liabilities	Selling exchange rate
	(Million)	As at 31 December 2007
		(Baht per 1 foreign currency unit)
USD	1.35	33.8850

29.2 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.

30. RECLASSIFICATION

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income (loss) and shareholders' equity, certain other amounts in the financial statements for the prior period have been reclassified to conform to the current period's classification, but with no effect to previously reported net income (loss) or shareholders' equity other than from the change in accounting policy.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been authorised for issue by the Audit Committee of the Company on 20 February 2008.