

SOMBOON ADVANCE TECHNOLOGY PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

**1. GENERAL INFORMATION**

Somboon Advance Technology Public Company Limited (hereinafter referred to as “the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is Somboon Holding Company Limited, incorporated as a limited company under Thai laws. The Company operates in Thailand and is principally engaged in the manufacture of pick-up axles and truck trunnion shafts.

The Company’s registered address is 129 Moo 2, Bangna-Trad Road, Tambon Bangchalong, Amphur Bangplee, Samutprakarn.

**2. BASIS OF PREPARATION**

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

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

**3. BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements for the years ended 31 December 2006 and 2005 of the Company and the following subsidiary companies.

Subsidiaries	Percentage of shareholding	Principal activities
Somboon Malleable Iron Industrial Company Limited	99.99	Manufacture and sale of autoparts
Bangkok Spring Industrial Company Limited	99.99	Manufacture and sale of autoparts
SAT Axle Technology Company Limited	99.99	Manufacture and sale of autoparts

On 10 October 2005, the Company received the transfer of the business operations of SAT Axle Technology Company Limited (a subsidiary). The subsidiary registered its dissolution with the Ministry of Commerce on 27 October 2005 and completed its liquidation on 24 March 2006.

The percentage of the assets and revenues of the subsidiaries as included in the consolidated financial statements as at 31 December 2006 are as follows:

Subsidiaries	Assets as a percentage of the total assets included in the consolidated balance sheet	Revenues as a percentage of the total revenues included in the consolidated statement of income
Somboon Malleable Iron Industrial Company Limited	29.20	37.30
Bangkok Spring Industrial Company Limited	34.27	26.24
SAT Axle Technology Company Limited	-	-

Significant balances and transactions between the Company and the subsidiaries, investment in subsidiaries in the Company's accounts and share capital of the subsidiaries are eliminated from the consolidated financial statements.

#### 4. ADOPTION OF NEW ACCOUNTING STANDARDS

4.1 In October 2006, the Federation of Accounting Professions issued Notification No. 25/2006 allowing entities which carry their property, plant and equipment at revalued amounts to calculate depreciation to be charged to the income statements based on the historical costs of the assets instead of on the revalued amounts. The Company has decided to follow the notification. However, had the depreciation charge been calculated based on the revalued amounts, net income and earnings per share would have been changed to the following:

	Consolidated/ The Company Only	
	<u>2006</u>	<u>2005</u>
Net income (Million Baht)	397.5	399.4
Basic earnings per share (Baht per share)	1.32	1.35

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

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of decreasing net income in the separate income statement for 2006 by approximately Baht 219 million (Baht 0.73 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 259 million.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Revenue recognition**

#### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

#### *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 as interest accrues based on the effective rate method.

#### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

## **5.2 Cash and cash equivalents**

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

## **5.3 Trade accounts receivable**

Trade accounts receivable 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 collection experience and current status of receivables outstanding at the balance sheet date.

## **5.4 Inventories**

Finished goods and work in process are valued at the lower of cost (average basis) and net realisable value. Cost of finished goods and work in process includes cost of raw materials, direct labour and factory overheads.

Raw materials, spare parts and factory supplies are valued at the lower of cost (first-in, first-out basis) and net realisable value and are charged to production costs whenever consumed.

Allowance for diminution in value of inventory will be set up for old, obsolete, slow-moving or deteriorated inventories.

## **5.5 Investments**

Investments in subsidiary in the separate financial statements and investments in associated companies are stated at the equity method, whereby the investments are recorded at cost at the acquisition date and, for each subsequent year, adjusted to incorporate the proportionate share of the operating results in the subsidiary and associated companies.

Investments in non-marketable equity securities, which are classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

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

## 5.6 Property, plant and equipment / Depreciation

Land is stated at revalued amount. Buildings and equipment are stated at cost/revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land, buildings and equipment are initially recorded at cost on the acquisition date, and subsequently revalued by an independent appraiser to their fair values. Revaluations will be made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from their fair value at the balance sheet date.

Differences arising from revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to shareholders' equity under the heading of "Revaluation surplus on assets". However, a revaluation increase should be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense in the income statement.
- When an asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised as an expense in the income statement. However, a revaluation decrease should be charged directly against any related "Revaluation surplus on assets" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. Any excess amount is to be recognised as an expense in the income statement.

Depreciation of plant and equipment is calculated by reference to their cost or the revalued amount on the straight-line basis over the following estimated useful lives:

	<u>The Company</u>	<u>Subsidiaries</u>
Land improvement, buildings and other premises	20-30 years	20-40 years
Machinery	5-18 years	5-18 years
Tools and factory equipment	5 years	5 years
Fixtures and office equipment	3-5 years	3-5 years
Motor vehicles	5 years	5 years

No depreciation has been provided for land and construction in progress.

Depreciation of assets which have been revalued as included in income statement is calculated by using straight-line basis over the remainder of their estimated useful lives. Depreciation of assets which have been devalued through appraisal is calculated on the revalued amount. Depreciation of assets of which the value has increased through appraisal is calculated based on cost.

Depreciation attributed to the surplus portion is deducted against revaluation surplus in shareholders' equity.

#### **5.7 Borrowing cost**

Interest on borrowings used in building construction is capitalised as part of the building until the building is ready for its intended use. Such interest comprises actual interest expense less any return on current investment of the borrowings obtained specifically for the building construction.

#### **5.8 Non-operating assets**

Non-operating assets are stated at cost less allowance for impairment (if any).

#### **5.9 Intangible assets and amortisation**

Computer software is stated at cost less accumulated amortisation. Amortisation is calculated by reference to cost on a straight-line basis over the expected future period of 5 years. The amortisation is included in determining income.

#### **5.10 Related party transactions**

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

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

### **5.11 Finance lease**

Leases of assets 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 asset acquired under finance lease is depreciated over the useful life of the asset.

### **5.12 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Monetary assets and liabilities denominated 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.

### **5.13 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.

### **5.14 Employee benefits**

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

### **5.15 Income tax**

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

## 5.16 Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

## 5.17 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. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2006 and 2005 are aged, based on due date, as follows:

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Trade accounts receivable - related parties</b>				
Not yet due	29,297,434	27,773,750	2,811,028	5,888,897
Overdue - less than 3 months	32,753,529	9,371,983	-	-
Total	<u>62,050,963</u>	<u>37,145,733</u>	<u>2,811,028</u>	<u>5,888,897</u>
<b>Trade accounts receivable - unrelated parties</b>				
Not yet due	711,615,878	707,827,804	299,980,912	315,156,988
Overdue				
Less than 3 months	8,829,432	8,732,974	3,529,910	-
3 - 12 months	2,035,653	26,061	-	26,061
Over 12 months	4,723,915	5,253,375	-	-
Total	<u>727,204,878</u>	<u>721,840,214</u>	<u>303,510,822</u>	<u>315,183,049</u>
Less: Allowance for doubtful accounts	<u>(4,723,915)</u>	<u>(4,780,814)</u>	<u>-</u>	<u>-</u>
Net	<u>722,480,963</u>	<u>717,059,400</u>	<u>303,510,822</u>	<u>315,183,049</u>



## 7. RELATED PARTY TRANSACTIONS

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

(Unit: Million Baht)

	CONSOLIDATED		Pricing Policy
	<u>2006</u>	<u>2005</u>	
<u>Transactions with related parties</u>			
Sales of goods	151.3	163.1	Cost plus a margin of 10%-20%
Purchases of goods and materials	-	72.4	Market prices

(Unit: Million Baht)

	THE COMPANY ONLY		Pricing Policy
	<u>2006</u>	<u>2005</u>	
<u>Transactions with subsidiary companies</u>			
Facilities income	13.2	-	Approximates cost
Sales of materials	-	1.5	Approximates cost
Sales of supplies	-	13.3	Approximates cost
Interest income	48.4	79.4	4.5%, MOR and MLR-1.25% per annum (2005: 4.5%, 6% and MLR per annum)
Rental income	-	3.7	Rental fee of Baht 0.40 million per month
Management fee income	97.6	88.5	Approximates cost
Sales of scraps	4.4	-	Market prices
Purchase of materials	-	2.9	Approximates cost
Purchases of goods	4.8	21.7	Cost plus an average margin of 6% (2005: Approximates cost)
Rental expense	1.2	-	Rental fee of Baht 0.10 million per month
Facilities expense	2.6	18.9	Approximates cost
<u>Transactions with related parties</u>			
Sales of goods	4.0	7.2	Cost plus a margin of 10%-20%

As at 31 December 2006 and 2005, the Company and its subsidiaries had the following outstanding balances with their related parties:

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b><u>Trade accounts receivable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	808,004	3,016,490
Bangkok Spring Industrial Company Limited	-	-	2,996	501,229
<b>Related companies</b>				
Yongkee (1995) Company Limited	61,944,177	35,847,807	2,000,028	2,371,178
Asahi Tech Metals (Thailand) Company Limited	-	180,298	-	-
Asahi Somboon Shippo Moulds Company Limited	-	197,415	-	-
Automotive Product Import and Export Center Company Limited	106,786	920,213	-	-
	<u>62,050,963</u>	<u>37,145,733</u>	<u>2,811,028</u>	<u>5,888,897</u>
<b><u>Other receivable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	3,230,184	40,000
Bangkok Spring Industrial Company Limited	-	-	15,642,825	40,000
<b>Related company</b>				
Somboon Somic Manufacturing Company Limited	-	72,760	-	72,760
	<u>-</u>	<u>72,760</u>	<u>18,873,009</u>	<u>152,760</u>
<b><u>Short-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	-	-	-	28,000,000
Bangkok Spring Industrial Company Limited	-	-	43,000,000	20,000,000
	<u>-</u>	<u>-</u>	<u>43,000,000</u>	<u>48,000,000</u>

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b><u>Long-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	-	-	498,510,600	557,000,000
Bangkok Spring Industrial Company Limited	-	-	463,000,000	503,000,000
	<u>-</u>	<u>-</u>	<u>961,510,600</u>	<u>1,060,000,000</u>
<b><u>Trade accounts payable - related parties</u></b>				
<b>Subsidiaries</b>				
Somboon Malleable Iron Industrial Company Limited	-	-	108,117	136,077
Bangkok Spring Industrial Company Limited	-	-	1,249,879	931,175
<b>Related companies</b>				
Yongkee (1995) Company Limited	-	26,312,095	-	-
Asahi Tech Metals (Thailand) Company Limited	-	432,812	-	-
Tsuchiyoshi Somboon Coated Sand Company Limited	25,380	27,820	-	-
	<u>25,380</u>	<u>26,772,727</u>	<u>1,357,996</u>	<u>1,067,252</u>
<b><u>Short-term loan from subsidiary company</u></b>				
SAT Axle Technology Company Limited	-	-	-	95,519,549

During the year 2006, the balances of loans to subsidiary companies have movements as follows:

(Unit: Baht)

	THE COMPANY ONLY			
	31 December 2005	During the year		31 December 2006
		Increase	Decrease	
<b><u>Short-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	28,000,000	28,000,000	(56,000,000)	-
Bangkok Spring Industrial Company Limited	20,000,000	103,000,000	(80,000,000)	43,000,000
	<u>48,000,000</u>	<u>131,000,000</u>	<u>(136,000,000)</u>	<u>43,000,000</u>

(Unit: Baht)

	THE COMPANY ONLY			
	31 December 2005	During the year		31 December 2006
		Increase	Decrease	
<b><u>Long-term loans to subsidiary companies</u></b>				
Somboon Malleable Iron Industrial Company Limited	557,000,000	60,000,000	(118,489,400)	498,510,600
Bangkok Spring Industrial Company Limited	503,000,000	-	(40,000,000)	463,000,000
	<u>1,060,000,000</u>	<u>60,000,000</u>	<u>(158,489,400)</u>	<u>961,510,600</u>

As at 31 December 2006, short-term loans to Bangkok Spring Industrial Company Limited consist of a loan of Baht 20 million maturing on 26 March 2007 and carrying interest at MOR per annum, and a loan of Baht 23 million maturing on 31 January 2007 and carrying interest at MLR-1.25% per annum.

Long-term loans to Somboon Malleable Iron Industrial Company Limited as at 31 December 2006 consist of a loan of Baht 413.5 million that is to be repaid on a quarterly basis over 8 years, from June 2004 to December 2011. The loan carries interest at a rate of 4.5 percent per annum for a period of 3 years and subsequently at MLR per annum, with interest payable on a monthly basis. In addition they include a loan of Baht 25 million repayable on a quarterly basis over 3 years, from March 2006 to June 2008 and carrying interest at a rate of MLR-1% per annum, payable on a monthly basis; and a loan of Baht 60 million repayable on a monthly basis over 5 years, from January 2007 to September 2011, and carrying interest at a rate of MLR-1.25% per annum, payable on a monthly basis.

Long-term loans to Bangkok Spring Industrial Company Limited are to be repaid on a quarterly basis over 9 years, from June 2004 to March 2012. The loans carry interest at a rate of 4.5 percent per annum for a period of 3 years and subsequently at MLR per annum. Interest is payable on a monthly basis.

#### Directors and management's remuneration

In 2006 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors and management totaling Baht 7.0 million (The Company only: Baht 6.3 million) (2005: Baht 7.3 million, The Company only: Baht 6.7 million).

## 8. INVENTORIES

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Raw materials	186,719,485	177,798,473	66,713,644	24,596,340
Work in process	52,196,662	42,846,735	28,603,188	17,849,928
Finished goods	95,895,545	64,381,806	22,688,093	14,631,789
Spare parts and factory supplies	97,905,253	88,590,951	51,793,704	41,757,186
Goods in transit	34,005,469	32,640,240	112,085	524,000
Total	466,722,414	406,258,205	169,910,714	99,359,243
Less: Allowance for diminution in value of inventory	(5,305,923)	(8,345,397)	(1,019,533)	-
Inventories - net	461,416,491	397,912,808	168,891,181	99,359,243

## 9. INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

As at 31 December 2006 and 2005, investments accounted for under the equity method are as follows:

### Investments in subsidiaries

(Unit: Thousand Baht)

Company's name	Paid-up		THE COMPANY ONLY			
	share capital		Cost method		Equity method	
	2006	2005	2006	2005	2006	2005
	Million	Million				
	Baht	Baht				
Somboon Malleable Iron Industrial Company Limited	160	640	535,995	535,995	524,693	407,555
Bangkok Spring Industrial Company Limited	130	520	519,989	519,989	790,186	719,664
SAT Axle Technology Company Limited	-	40	-	43,000	-	95,519
Total investments in subsidiaries			1,055,984	1,098,984	1,314,879	1,222,738

On 17 October 2005, an extraordinary meeting of the shareholders of Somboon Malleable Iron Industrial Company Limited passed a special resolution to reduce registered share capital from Baht 640 million to Baht 160 million by changing the par value of its ordinary shares from Baht 1,000 per share to Baht 250 per share. The Baht 480 million reduction in share capital was offset against the subsidiary's deficit. The subsidiary registered the reduction in its share capital with the Ministry of Commerce on 2 March 2006.

On 17 October 2005, an extraordinary meeting of the shareholders of Bangkok Spring Industrial Company Limited passed a special resolution to reduce registered share capital from Baht 520 million to Baht 130 million by changing the par value of its ordinary shares from Baht 1,000 per share to Baht 250 per share. The Baht 390 million reduction in share capital was offset against the subsidiary's deficit. The subsidiary registered the reduction in its share capital with the Ministry of Commerce on 2 March 2006.

On 26 October 2005, an extraordinary meeting of the shareholders of SAT Axle Technology Company Limited passed a special resolution to dissolve the company. The subsidiary registered its dissolution with the Ministry of Commerce on 27 October 2005 and completed its liquidation on 24 March 2006.

### **Investment in associated companies**

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up Share capital	Shareholding		CONSOLIDATED				
			percentage		Cost method		Equity method		Dividend in 2006
			2006	2005	2006	2005	2006	2005	
Percent	Percent								
<u>Associated company held through Somboon</u>									
<u>Malleable Iron Industrial Company Limited</u>									
Tsuchiyoshi Somboon Coated	Manufacture and sale								
Sand Company Limited	of coated sand	72,000	21.25	21.25	15,300	15,300	27,584	21,812	1,530
<u>Associated company held through</u>									
<u>Bangkok Spring Industrial Company Limited</u>									
Yamada Somboon Company	Manufacture and sale								
Limited	of autoperparts	150,000	20.00	19.20	30,807	28,799	50,624	48,175	2,200
Total investment in associated companies					<u>46,107</u>	<u>44,099</u>	<u>78,208</u>	<u>69,987</u>	

In April 2006, Bangkok Spring Industrial Company Limited (a subsidiary) acquired an additional 12,000 shares in Yamada Somboon Company Limited, valued at Baht 2 million. Following this acquisition the subsidiary's holding in this company has increased to 20 percent, making it an associated company. The subsidiary retroactively adjusted the carrying value of its investment in that company after it met the criteria for application of the equity method of accounting. The effect of this adjustment was to increase net income for the years ended 31 December 2006 and 2005 by amounts of Baht 2.7 million and Baht 1.6 million, respectively, in both the consolidated and Company's separate income statements. The cumulative effects of the accounting change up to the beginning of the year 2005 amounting to Baht 17.8 million is presented under the heading of "Adjustment for change in policy on accounting for investment from cost method to equity method due to change of status to associated company" in the statements of changes in shareholders' equity.

The Baht 27.6 million value of investment in Tsuchiyoshi Somboon Coated Sand Company Limited and the Baht 7.3 million share of profit of that company for the year 2006, accounted for under the equity method, were calculated based on audited financial statements of that company for the year ended 31 March 2006 and unaudited financial statements of that company for the nine-month period ended 31 December 2006 prepared by its management.

The Baht 50.6 million value of investment in Yamada Somboon Company Limited and the Baht 4.1 million share of profit of that company for the year 2006, accounted for under the equity method, were calculated based on audited financial statements of that company for the six-month period ended 30 June 2006 and unaudited financial statements of that Company for the six-month period ended 31 December 2006 prepared by its management.

## 10. LONG-TERM INVESTMENTS

### CONSOLIDATED

(Unit: Thousand Baht)

Company's name	Principal activity	Paid-up share capital	Shareholding		Investments	
			percentage		2006	2005
			2006	2005	2006	2005
			Percent	Percent		
Asahi Tech Metals (Thailand) Company Limited	Manufacture and sale of cast iron parts	331,250	-	0.66	-	8,750
Asahi Tech Aluminium (Thailand) Company Limited	Manufacture and sale of Autoparts	1,480,000	-	0.98	-	14,500
Nisshinbo Somboon Automotive Company Limited	Manufacture and sale of Autoparts and brake Systems	732,600	2.90	2.90	21,250	21,250
Somboon Somic Manufacturing Company Limited	Manufacture and sale of Autoparts	300,000	1.80	1.80	5,400	5,400
Total					26,650	49,900
Less: Allowance for impairment					-	(15,340)
Long-term investments - net					26,650	34,560

In June 2006, two subsidiaries sold all of their investments in Asahi Tech Aluminium (Thailand) Company Limited at a price of Baht 88.41 per share, or a total of Baht 12.8 million, and in Asahi Tech Metals (Thailand) Company Limited at a price of Baht 20.71 per share, or for a total of Baht 1.8 million. Gains from disposal of these investments are included in determining income for the year.

## 11. PROPERTY, PLANT AND EQUIPMENT

### CONSOLIDATED

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost				Total
	Land	Land improvement, buildings and other premises		Tools and factory equipment	Fixtures and office equipment		Construction in progress	
		Machinery			Motor vehicles			
<b>At cost/at revaluation</b>								
31 December 2005	680,395,868	409,200,574	2,146,461,735	278,808,450	54,116,445	32,847,098	52,177,758	3,654,007,928
Acquisition	-	4,725,077	11,809,916	16,892,175	8,667,569	4,551,668	381,288,553	427,934,958
Disposal/Written-off	-	-	(24,674,840)	(5,338,937)	(128,141)	(4,157,068)	(2,618,244)	(36,917,230)
Transfer in (transfer out)	-	13,062,745	254,399,436	11,206,024	2,585,461	561,000	(281,814,666)	-
31 December 2006	680,395,868	426,988,396	2,387,996,247	301,567,712	65,241,334	33,802,698	149,033,401	4,045,025,656



(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost				Total
	Land improvement, buildings and other		Machinery	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
	Land	premises						
<b>Accumulated depreciation</b>								
31 December 2005	-	111,327,889	586,356,188	156,937,068	37,911,256	24,394,664	-	916,927,065
Depreciation for the year	-	15,471,472	173,536,391	27,339,605	14,829,917	3,413,849	-	234,591,234
Depreciation of revaluation surplus	-	2,732,219	39,388,074	-	-	-	-	42,120,293
Depreciation for disposal	-	-	(918,958)	(943,572)	(105,038)	(4,016,087)	-	(5,983,655)
Written-off	-	-	(15,561,999)	(245,336)	-	-	-	(15,807,335)
31 December 2006	-	129,531,580	782,799,696	183,087,765	52,636,135	23,792,426	-	1,171,847,602
<b>Net book value</b>								
31 December 2005	680,395,868	297,872,685	1,560,105,547	121,871,382	16,205,189	8,452,434	52,177,758	2,737,080,863
31 December 2006	680,395,868	297,456,816	1,605,196,551	118,479,947	12,605,199	10,010,272	149,033,401	2,873,178,054
<b>Depreciation for the year</b>								
2005								163,761,547
2006								234,591,234

During 2006, a subsidiary capitalised borrowing costs amounted to Baht 1.9 million as part of the cost of its new factory. The borrowing costs are the cost of loans obtained specifically for use in the building construction.

### **THE COMPANY ONLY**

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost				Total
	Land improvement, buildings and other		Machinery	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
	Land	premises						
<b>At cost/at revaluation</b>								
31 December 2005	90,141,438	130,062,800	947,699,374	63,650,465	14,214,862	11,702,156	2,410,220	1,259,881,315
Acquisition	-	3,197,609	3,447,505	7,039,463	3,843,677	3,454,145	174,477,949	195,460,348
Disposal	-	-	(42,630)	-	-	(3,109,330)	-	(3,151,960)
Transfer in (transfer out)	-	5,726,970	145,337,999	2,415,629	5,353,225	-	(158,833,823)	-
31 December 2006	90,141,438	138,987,379	1,096,442,248	73,105,557	23,411,764	12,046,971	18,054,346	1,452,189,703
<b>Accumulated depreciation</b>								
31 December 2005	-	18,364,120	164,141,095	23,347,273	6,071,845	4,742,221	-	216,666,554
Depreciation for the year	-	6,333,835	99,036,631	11,282,039	3,831,358	2,465,585	-	122,949,448
Depreciation of revaluation surplus	-	491,606	10,122,650	-	-	-	-	10,614,256
Depreciation for disposal	-	-	(18,959)	-	-	(2,968,353)	-	(2,987,312)
31 December 2006	-	25,189,561	273,281,417	34,629,312	9,903,203	4,239,453	-	347,242,946

(Unit: Baht)

	Assets carried at the revalued amount			Assets carried at cost				Total
	Land improvement, buildings and other		Machinery	Tools and factory equipment	Fixtures and office equipment	Motor vehicles	Construction in progress	
	Land	premises						
<b>Net book value</b>								
31 December 2005	90,141,438	111,698,680	783,558,279	40,303,192	8,143,017	6,959,935	2,410,220	1,043,214,761
31 December 2006	90,141,438	113,797,818	823,160,831	38,476,245	13,508,561	7,807,518	18,054,346	1,104,946,757
<b>Depreciation for the year</b>								
2005								65,034,265
2006								122,949,448

In July 2003, the Company's land, buildings and machinery were reappraised at fair value by an independent appraiser. The Company recorded the resulting increases in asset values, totaling of approximately Baht 138.1 million, in "Revaluation surplus on assets" in shareholders' equity and recorded the revaluation decreases, totaling of approximately Baht 40.4 million, as an expenses in the statement of earnings. The basis for such revaluations were the fair market value for land and the replacement cost for buildings and machinery.

Had the land, buildings and machinery been carried in the financial statements based on cost, their net book value as of 31 December 2006 and 2005 would have been as follows:

(Unit: Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	189,074,183	189,074,183	78,068,188	78,068,168
Land improvement, buildings and other premises	243,650,862	241,334,513	103,766,637	101,175,893
Machinery	1,347,974,767	1,260,470,304	747,664,539	697,939,337

As at 31 December 2006 and 2005, certain building and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 346.8 million and Baht 302.2 million, respectively (The Company only: amounting to Baht 19.4 million and Baht 17.0 million, respectively).

The Company and its subsidiaries have mortgaged a majority of their land with structures thereon and machinery as collateral for credit facilities granted by a commercial bank.

## 12. NON-OPERATING ASSETS

(Unit: Baht)

	CONSOLIDATED	
	<u>2006</u>	<u>2005</u>
Land	107,779,100	121,619,100
Machinery	-	23,589,751
Condominium units	1,140,805	2,281,565
Total non-operating assets	108,919,905	147,490,416
Less: Allowance for impairment	-	(23,589,751)
Non-operating assets – net	<u>108,919,905</u>	<u>123,900,665</u>

Land title deeds and documents of ownership of condominium units of its subsidiary have been placed as collateral for credit facilities of the Company.

## 13. INTANGIBLE ASSET

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Computer software	6,138,989	7,413,956	122,535	206,450
Increase	1,039,084	1,618,506	552,178	-
Amortisation during the year	(2,390,904)	(2,893,473)	(127,479)	(83,915)
Net	<u>4,787,169</u>	<u>6,138,989</u>	<u>547,234</u>	<u>122,535</u>

## 14. BANK OVERDRAFTS

Bank overdrafts carry interest at a rate of MOR per annum, and are secured by the mortgage of majority of the Company and its subsidiary's land with premises and part of their machinery and guaranteed by certain directors of the Company and subsidiaries.

## 15. TRUST RECEIPT

Trust receipt is secured by the mortgage of majority of the Company and its subsidiary's land with premises and part of their machinery and guaranteed by certain directors of the Company and subsidiaries.

## 16. LONG-TERM LOANS

(Unit: Million Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated/ The Company Only	
			2006	2005
1	4.5% per annum for 3 years and subsequently at MLR per annum	Installments as a period of 3 months from 2004 to 2013	1,750	1,883
2	MLR - 1.25% per annum for a period of 2 years and subsequently at MLR - 1% per annum	Monthly installments as from 2006 to 2010	82	-
3	MLR - 1.25%	Monthly installments as from 2006 to 2011	25	-
Total			1,857	1,883
Less: Current portion			(298)	(124)
Net			1,559	1,759

The loan agreement contains certain covenants which must be complied with while utilizing the credit facility, pertaining to matters such as that investment or granting of loans requires prior approval from the bank, the creation of lien and the maintenance of the total debt to equity ratio stipulated by the bank.

The agreement is secured by the mortgage of a majority of the land with premises, document of ownership of condominium units and certain machinery of the Company and its subsidiaries and guaranteed by certain directors of the Company and its subsidiaries.

As at 31 December 2006, Baht 146 million of the long-term credit facilities available under loan No. 3 had not yet been drawn down. In addition, the Company has a revolving credit facility of Baht 15 million which it has yet to draw on.

## 17. REVALUATION SURPLUS ON ASSETS

During the year 2006, movement in the balance of revaluation surplus on assets was as follows:

### CONSOLIDATED AND THE COMPANY ONLY

#### Revaluation surplus on assets - the Company

(Unit: Baht)

	Land	Building and other premises	Machinery	Total
Balance - beginning of the year 2006	12,073,250	10,522,787	85,618,942	108,214,979
Amortisation on revaluation surplus	-	(491,606)	(10,122,650)	(10,614,256)
Balance - end of the year 2006	<u>12,073,250</u>	<u>10,031,181</u>	<u>75,496,292</u>	<u>97,600,723</u>

#### Revaluation surplus on assets - the subsidiaries

(Unit: Baht)

	Land	Building and other premises	Machinery	Total
Balance - beginning of the year 2006	479,248,435	46,015,385	214,016,301	739,280,121
Amortisation on revaluation surplus	-	(2,240,612)	(32,290,809)	(34,531,421)
Balance - end of the year 2006	<u>479,248,435</u>	<u>43,774,773</u>	<u>181,725,492</u>	<u>704,748,700</u>

The revaluation surplus on assets can neither be offset against retained deficit nor used for dividend payment.

## 18. DIVIDEND PAID

On 24 April 2006, the Annual General Meeting of shareholders passed a resolution to pay a dividend of Baht 0.45 per share from the 2005 earnings, to the holders of the 300 million shares. The Company has already paid an interim dividend to the shareholders and so a dividend of Baht 0.25 per share, or a total of Baht 75 million, remains to be paid. The Company paid this dividend on 19 May 2006.

On 15 August 2006, a meeting of the Board of Directors passed a resolution to pay an interim dividend of Baht 0.20 per share, or a total of Baht 60 million. The Company paid this dividend on 13 September 2006.

## 19. 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.

## 20. CORPORATE INCOME TAX

Corporate income tax for the year 2006 has been calculated at rates of 25 percent (2005: 30 percent) on net income of the Company from non-promoted activities and 30 percent on net income of its subsidiary companies, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

## 21. STATEMENTS OF CASH FLOWS

Cash and cash equivalents as reflected in the statements of cash flows consist of the following:

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash and deposits with financial institutions	183,586,246	216,161,367	109,081,613	99,714,693
Current investments - bills of exchange	-	70,000,000	-	70,000,000
Cash and cash equivalents	<u>183,586,246</u>	<u>286,161,367</u>	<u>109,081,613</u>	<u>169,714,693</u>

## 22. PROMOTIONAL PRIVILEGES

The Company was granted promotional privileges under the Investment Promotion Act B.E. 2520 for the manufacture of rear axle shafts, under investment certificates No. 1449(2)/2548 and 122(2)/2549. Subject to certain imposed conditions, the tax privileges include the following:

- a. Exemption from corporate income tax in an amount not exceeding the capital investment in the project, excluding land and working capital, for a period of 8 years commencing from the date of first earning operating income (1 July 2005 and 25 May 2006, respectively).

- b. A 75 percent reduction of import duty on articles and essential raw materials imported for use in manufacturing for local sales, for 1 year commencing as from the first importation date.
- c. Exemption from import duty on articles and essential raw materials imported for use in manufacturing for export sales, for a period of 5 years commencing as from the first importation date.
- d. Permission to double deduct transportation, electricity and water expenses for a period of 10 years, commencing as from the date of first earning operating income.
- e. Permission to charge an additional 25 percent of the cost of installation and construction in the normal depreciation calculation.

The Company's total revenues for the years are divided between promoted and non-promoted revenues as follows:

(Unit: Baht)

	2006			2005		
	Promoted activities	Non-promoted Activities	Total	Promoted activities	Non-promoted activities	Total
Revenues						
Sales						
- Domestic	774,743,945	776,400,336	1,551,144,281	338,996,176	1,044,586,918	1,383,583,094
- Export	-	11,101,126	11,101,126	-	97,245,298	97,245,298
Other income	17,661,394	406,175,590	423,836,984	37,967,400	428,268,802	466,236,202
Total revenues	<u>792,405,339</u>	<u>1,193,677,052</u>	<u>1,986,082,391</u>	<u>376,963,576</u>	<u>1,570,101,018</u>	<u>1,947,064,594</u>

## 23. EARNINGS PER SHARE

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

## 24. EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of employees at the end of year	1,567	1,563	482	414
Employee costs for the year (Million Baht)	537.3	474.7	214.3	176.1

## 25. PROVIDENT FUND

The Company, subsidiaries and their employees have registered separate provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by the Company, its subsidiaries and their employees at rates of 3 percent of the employees' monthly salaries. The fund is managed by American International Assurance Co., Ltd. During the year 2006, the Company and its subsidiaries contributed approximately Baht 6.5 million (The Company only: Baht 2.9 million), as included in employee costs, to the provident fund.

## 26. COMMITMENTS

As at 31 December 2006 and 2005, the Company and its subsidiaries have the following commitments:

26.1 Capital commitments of Baht 71.5 million and JPY 141.9 million (2005: Baht 114.1 million, JPY 87.2 million and USD 0.4 million) in respect of land acquisition, construction of plant and purchase of machinery.

26.2 The Company and subsidiaries had the following outstanding commitments in respect of lease and service agreements.

	<u>Million Baht</u>
Payable within :	
1 year	37.1
2 to 5 years	23.0
Thereafter	12.2

26.3 The Company has entered into a technical assistance agreement with a foreign company covering the machining process, whereby the Company is to pay fees at a rate of 1.5 percent of the cost of the machining process charge for each unit of the products manufactured and sold by the Company. The agreement is for 5 years, expiring in 2010, and can be extended for a further 5 years.

26.4 The Company has entered into a technical assistance agreement with another foreign company covering the forging process whereby the Company is to pay fees at a rate of 3 percent of the conversion cost of the forging process for each unit manufactured, for domestic sales and export sales, respectively. The agreement is for 5 years, expiring in 2009 and is renewable for a further 5 years.



26.5 Bangkok Spring Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the manufacture of a product. The agreement is for 6 years, expiring in the year 2008, and the subsidiary's outstanding commitments under such agreement total USD 255,000 (2005: USD 390,000).

26.6 Somboon Malleable Iron Industrial Company Limited has entered into a technical assistance agreement with a foreign company regarding the process of machining, whereby that company is to pay a fee at 1.5 percent of the process charge for each unit of the products manufactured and sold by the company. The agreement is for 5 years, expiring in the year 2009, and is renewable for a further 5 years.

## **27. GUARANTEE**

As at 31 December 2006, there were outstanding bank guarantees of Baht 2.4 million and Baht 13.4 million issued by a bank on behalf of the Company and its subsidiaries, respectively (2005: Baht 2.4 million and Baht 12.4 million, respectively), in respect of certain performance bonds required in the normal course of the Company's and the subsidiaries' businesses.

## **28. FINANCIAL INFORMATION BY SEGMENT**

The Company and its subsidiaries operate in the single industry segment of the manufacture and sale of auto parts in the single geographic area of Thailand. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

## **29. FINANCIAL INSTRUMENTS**

Significant financial instruments carried in the balance sheet include cash and cash equivalents, bill of exchange, trade accounts receivable, lendings, short-term loans and long-term loans.

### **Financial risk management policies**

The Company has no policy to hold or issue derivatives for speculative or trading purpose. The financial risk management policies are outlined below.

## Interest rate risk

The Company and its subsidiary companies are exposed to interest rate risk primarily in relation to their cash at banks, bank overdrafts and long-term borrowings subject to interest. However, because most of the financial assets and liabilities carry floating interest rates which will fluctuate in line with the market interest rates or carry fixed interest rates which approximate the current market interest rate, interest rate risk of the Company and its subsidiary companies is considered to be low.

As at 31 December 2006, the significant financial assets and liabilities classified by types of interest rate and, for the financial assets and liabilities carrying fixed interest rate, by the contractual repricing or maturity date (whichever is earlier) are as follows: -

(Unit: Million Baht)

CONSOLIDATED						
Interest rate (% p.a.)	Fixed interest rates			Floating interest rate	Non-interest bearing	Total
	Within 1 year	1-5 years				
<b>Financial Assets</b>						
Cash equivalent (excluding cash)	0% - 0.75%	-	-	177.8	5.6	183.4
		-	-	177.8	5.6	183.4
<b>Financial liabilities</b>						
Bank overdrafts	8.5%	-	-	0.8	-	0.8
Trust receipt	2.0% - 6.9%	-	-	88.6	-	88.6
Finance lease contracts payable	1.86% - 3.9%	4.6	3.6	-	-	8.2
Long-term loans	4.5% - 6.75%	-	-	1,856.6	-	1,856.6
		4.6	3.6	1,946.0	-	1,954.2

(Unit: Million Baht)

THE COMPANY ONLY						
Interest rate (% p.a.)	Fixed interest rates			Non-interest bearing	Total	
	Within 1 year	1-5 years	Floating interest rate			
<b>Financial Assets</b>						
Cash equivalent (excluding cash)	0% - 0.75%	-	-	103.6	5.4	109.0
Loans to subsidiary companies	4.5% - 6.75%	876.5	-	128.0	-	1,004.5
		876.5	-	231.6	5.4	1,113.5
<b>Financial liabilities</b>						
Finance lease contracts payable	1.86% - 2.9%	2.2	2.6	-	-	4.8
Long-term loans	4.5% - 6.75%	-	-	1,856.6	-	1,856.6
		2.2	2.6	1,856.6	-	1,861.4

**Foreign currency risk**

The Company and its subsidiary companies have a significant foreign currency risk in respect of the purchase and sales transactions and lendings and borrowings denominated in foreign currencies. However, the Company and its subsidiary companies have entered into forward contracts with maturities of less than one year to mitigate the foreign currency risk.

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

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2006 (Baht per 1 foreign currency unit)
US dollar	0.2	4.8	36.05
Japanese yen	8.4	73.9	0.30

Foreign exchange contracts outstanding at 31 December 2006 are summarized below.

Foreign currency	Bought amount (Million)	Contractual exchange rate for bought amount (Baht per 1 foreign currency unit)
US dollar	1.4	35.80 - 37.34

### **Credit Risk**

The Company and its subsidiary companies are exposed to credit risk primarily with respect to their trade accounts receivable, lendings and other receivable. The management manages the risk by adopting appropriate credit control policies and procedures. In addition, most of the customers have good financial positions and no problems with payment. As a result, the Company and its subsidiary companies do not expect to incur material financial losses.

### **Fair value**

Methodology of fair value measurement depends upon characteristics of the financial instruments. For the financial instruments which are regarded as traded in an active market, fair value has been determined by the latest quoted market price. If however the appropriate quoted market price cannot be determined, the fair value is determined using an appropriate valuation technique such as discounted cash flow.

Since major financial assets and financial liabilities are short-term in nature, loans to subsidiaries and loans from financial institutions of which the interest rate is approximate to the market rate, the fair value of financial assets and financial liabilities are presented as the amount stated in the balance sheet.

### **30. RECLASSIFICATION**

Certain amounts in the financial statements for 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

### **31. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2007.