

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2006 AND 2005

Report of Independent Auditor

To The Board of Directors and Shareholders of
Delta Electronics (Thailand) Public Company Limited

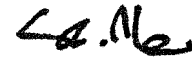
I have audited the accompanying consolidated balance sheets of Delta Electronics (Thailand) Public Company Limited and its subsidiaries as at 31 December 2006 and 2005, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Delta Electronics (Thailand) Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The consolidated financial statements of certain overseas subsidiaries and overseas group of subsidiary companies as at 31 December 2006 and 2005 and for the years then ended were audited by the subsidiaries' auditors, whose reports have been furnished to me. My opinions on the consolidated and the Company's financial statements, insofar as they relate to the amounts included for these subsidiaries and group of subsidiary companies, are based solely on the reports of those other auditors. These financial statements reflect total assets as at 31 December 2006 and 2005 of approximately Baht 6,711 million and Baht 7,466 million respectively, total revenues for the years ended 31 December 2006 and 2005 of approximately Baht 18,968 million and Baht 19,056 million respectively, net income for the year ended 31 December 2006 of approximately Baht 164 million and net loss for the year ended 31 December 2005 of approximately Baht 230 million. In addition, the Company's financial statements include investments in these subsidiaries and group of subsidiary companies stated under the equity method amounting to Baht 958 million and Baht 1,429 million as at 31 December 2006 and 2005, respectively, share of income for the year ended 31 December 2006 of approximately Baht 164 million and share of loss for the year ended 31 December 2005 amounting to Baht 230 million.

I conducted my audits 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 statement presentation. I believe that my audits and the

reports of the other auditors referred to in the first paragraph provide a reasonable basis for my opinion.

In my opinion, based on my audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Electronics (Thailand) Public Company Limited and its subsidiaries and of Delta Electronics (Thailand) Public Company Limited as at 31 December 2006 and 2005, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Without qualifying my opinion on the aforementioned financial statements, I draw attention to Note 31.3.2 to the financial statements regarding, the Company's receipt of notice of a corporate income tax assessment from the Revenue Department, covering the years 1997-2000.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 13 February 2007

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	Consolidated		The Company Only	
		2006	2005	2006	2005
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	7	6,798,019,213	7,145,819,576	4,632,876,588	5,309,825,378
Investments in available-for-sale securities	8	89,372,360	91,273,764	-	-
Trade accounts receivable					
Related parties	6	284,931,092	643,388,168	3,088,096,270	2,943,821,584
Unrelated parties		8,019,870,977	8,036,658,591	3,488,946,684	4,914,135,153
Less : Allowance for doubtful accounts		(104,330,083)	(363,059,219)	(16,099,075)	(261,695,236)
Trade accounts receivable - net	9	8,200,471,986	8,316,987,540	6,560,943,879	7,596,261,501
Short-term loan to and amounts due from related parties	6	22,808,019	53,210,802	-	-
Inventories - net	10	4,612,630,715	4,244,370,304	1,897,558,502	1,891,567,045
Other current assets					
Input tax refundable		245,590,402	114,900,964	50,301,247	22,642,995
Advance payments		48,869,418	29,429,346	30,408,825	21,748,453
Forward contracts receivable	32	4,106,703	29,898,873	3,660,000	-
Other accounts receivable		25,074,273	49,672,266	-	-
Others		244,649,327	181,524,756	23,560,505	31,050,094
TOTAL CURRENT ASSETS		20,291,592,416	20,257,088,191	13,199,309,546	14,873,095,466
NON - CURRENT ASSETS					
Deposits at bank with restrictions	11	225,766,783	254,687,038	-	-
Investments accounted for under equity method	12	421,514,207	547,056,485	4,050,936,048	2,818,944,021
Investments in other parties	13	220,053,515	257,322,436	-	-
Property, plant and equipment - net	14	3,600,423,845	3,795,044,499	3,053,417,397	3,396,080,738
Intangible assets					
Consolidation goodwill	15	332,865,887	1,055,292,092	-	-
Other intangible assets	16	1,064,472,658	1,278,137,915	-	-
Other non-current assets		42,122,748	52,671,348	2,034,608	2,197,431
TOTAL NON-CURRENT ASSETS		5,907,219,643	7,240,211,813	7,106,388,053	6,217,222,190
TOTAL ASSETS		26,198,812,059	27,497,300,004	20,305,697,599	21,090,317,656

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	Consolidated		The Company Only	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions	17	1,840,669,942	216,312,363	-	-
Trade accounts payable					
Related parties	6	171,041,115	377,844,285	68,874,643	143,814,723
Unrelated parties		5,981,917,679	5,730,724,532	4,317,583,901	4,745,801,603
Total trade accounts payable		6,152,958,794	6,108,568,817	4,386,458,544	4,889,616,326
Short-term loan from and amounts due to related parties	6	62,922,846	111,262,701	148,946,393	128,668,278
Other current liabilities					
Accrued expenses	18	1,328,733,617	1,250,139,602	732,595,042	630,521,459
Advance received		216,878,348	282,925,619	154,757,827	166,392,805
Other accounts payable		223,277,357	222,909,870	203,698,925	161,447,720
VAT payable		76,602,801	127,900,664	-	-
Provisions	19	293,924,627	731,531,057	65,064,491	133,258,147
Others		191,107,472	112,670,336	84,294,031	18,310,031
TOTAL CURRENT LIABILITIES		10,387,075,804	9,164,221,029	5,775,815,253	6,128,214,766
NON-CURRENT LIABILITIES					
Long-term loan from financial institutions	20	-	2,136,087,200	-	-
Provisions	19	1,196,356,859	1,141,615,744	-	-
Other non-current liabilities		30,306,884	35,003,402	-	-
TOTAL NON-CURRENT LIABILITIES		1,226,663,743	3,312,706,346	-	-
TOTAL LIABILITIES		11,613,739,547	12,476,927,375	5,775,815,253	6,128,214,766

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	Consolidated		The Company Only	
		2006	2005	2006	2005
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
1,259 million ordinary shares of Baht 1 each	21	1,259,000,000	1,259,000,000	1,259,000,000	1,259,000,000
Issued and fully paid					
1,246.07 million ordinary shares of Baht 1 each (2005: 1,188.12 million ordinary shares of Baht 1 each)		1,246,067,451	1,188,116,740	1,246,067,451	1,188,116,740
Additional paid-in capital					
Premium on share capital		1,491,912,500	1,491,912,500	1,491,912,500	1,491,912,500
Unrealised gain (loss) on investments in available-for-sale securities		5,344,092	(13,122,460)	5,344,092	(13,122,460)
Translation adjustment		(887,053,299)	97,195,102	(887,053,299)	97,195,102
Retained earnings					
Appropriated - Statutory reserve	22	125,900,000	125,900,000	125,900,000	125,900,000
Unappropriated		12,547,711,602	12,072,101,008	12,547,711,602	12,072,101,008
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS		14,529,882,346	14,962,102,890	14,529,882,346	14,962,102,890
MINORITY INTEREST - equity attributable to minority shareholders of subsidiaries		55,190,166	58,269,739	-	-
TOTAL SHAREHOLDERS' EQUITY		14,585,072,512	15,020,372,629	14,529,882,346	14,962,102,890
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		26,198,812,059	27,497,300,004	20,305,697,599	21,090,317,656
		0	0	0	0

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

DIRECTORS

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	Consolidated		The Company Only	
		2006	2005	2006	2005
REVENUES					
Sales and services income		43,554,074,950	43,918,768,202	31,021,747,621	34,212,085,435
Other income					
Interest income		250,463,224	194,670,083	180,843,268	97,952,723
Gain on exchange rate	25	-	-	-	608,811,855
Gain on disposal of property, plant and equipment		-	105,556,374	-	-
Reversal of allowance for stock obsolescence		-	349,344,360	-	-
Others		450,610,286	142,177,657	51,555,912	60,245,617
Share of income from investments accounted for under equity method		37,108,946	-	-	-
TOTAL REVENUES		44,292,257,406	44,710,516,676	31,254,146,801	34,979,095,630
EXPENSES					
Cost of sales and services		35,457,445,341	35,656,707,249	24,555,328,896	27,844,020,087
Selling and administrative expenses		5,820,813,057	6,106,232,517	3,613,581,865	3,793,418,050
Loss on disposal of property, plant and equipment		13,296,736	-	10,651,978	33,588,452
Loss on exchange rate	25	584,369,633	146,313,937	877,092,322	-
Amortisation of intangible assets		103,829,157	131,962,483	-	-
Restructuring expenses		151,913,096	125,936,345	-	-
Loss on diminution in value of investment in other parties		-	27,523,267	-	-
Share of loss from investments accounted for under equity method		-	18,857,938	221,681,070	1,021,917,534
TOTAL EXPENSES		42,131,667,020	42,213,533,736	29,278,336,131	32,692,944,123
INCOME BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		2,160,590,386	2,496,982,940	1,975,810,670	2,286,151,507
INTEREST EXPENSES		(150,065,587)	(141,287,769)	(14,100,354)	-
CORPORATE INCOME TAX		(48,638,900)	(70,943,782)	-	(1,471,410)
INCOME AFTER CORPORATE INCOME TAX		1,961,885,899	2,284,751,389	1,961,710,316	2,284,680,097
NET INCOME ATTRIBUTABLE TO SUBSIDIARIES		(175,583)	(71,292)	-	-
NET INCOME FOR THE YEAR		1,961,710,316	2,284,680,097	1,961,710,316	2,284,680,097
EARNINGS PER SHARE					
27					
Basic earnings per share					
Net income		1.58	1.92	1.58	1.92
Diluted earnings per share					
Net income		1.57	1.92	1.57	1.92

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Cash flows from operating activities:-				
Net income	1,961,710,316	2,284,680,097	1,961,710,316	2,284,680,097
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:-				
Depreciation and amortisation	1,043,340,344	1,164,961,136	824,817,958	877,682,319
Amortisation in premium/discount of forward contracts	2,898,155	(3,067,905)	8,324	-
Amortisation of goodwill	29,895,916	65,816,351	-	-
Amortisation of other intangible assets	73,933,241	66,146,132	-	-
Allowance for doubtful accounts (reversal)	(258,729,136)	9,072,672	(245,596,161)	(3,886,192)
Allowance for stock obsolescence (reversal)	(270,850,689)	(547,626,195)	(7,248,605)	(44,583,978)
Accrual of provisions	86,477,290	225,892,319	698,996	126,503,137
Allowance for diminution in value of investment in other parties	-	27,523,267	-	-
Loss from disposal of investments in available-for-sale securities	434,157	4,691,173	-	-
Share dividend received from investment in available-for-sale securities	(3,029,082)	(6,740,923)	-	-
Loss from disposal of investment in subsidiary company	58,982,158	-	-	-
Gain from disposal of investment in associated company	(1,944,397)	-	-	-
(Gain) loss from disposal of property, plant and equipment	13,296,736	(105,556,374)	10,651,978	33,588,452
Share of (income) loss from investments accounted for under equity method	(37,108,946)	18,857,938	221,681,070	1,021,917,534
Unrealised (gain) loss on exchange rate (Note 25)	515,900,011	(259,312,427)	498,152,342	(612,777,801)
Net income attributable to minority interest	175,583	71,292	-	-
Income from operating activities before changes in operating assets and liabilities	3,215,381,657	2,945,408,553	3,264,876,218	3,683,123,568
Decrease (increase) in operating assets:-				
Trade accounts receivable	240,231,174	2,651,274,950	1,155,691,327	2,722,695,971
Amounts due from related parties	38,763,555	(38,763,555)	-	-
Inventories	(97,409,722)	1,537,384,197	1,257,148	271,728,812
Other current assets	(191,828,068)	26,605,701	(30,258,582)	(5,704,538)
Other non - current assets	10,548,600	14,040,480	162,823	(292,669)
Increase (decrease) in operating liabilities:-				
Trade accounts payable	89,300,738	(649,099,265)	(459,015,055)	(867,996,439)
Amounts due to related parties	(12,724,584)	(101,070,342)	21,391,165	(113,568,653)
Other current liabilities	106,287,240	108,373,425	247,757,797	47,269,034
Provisions	(409,977,427)	(280,611,262)	(64,145,696)	-
Other non-current liabilities	3,432,008	(8,918,435)	-	-
Net cash flows from operating activities	2,992,005,171	6,204,624,447	4,137,717,145	5,737,255,086

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Cash flows from investing activities:-				
Increase in investments in available-for-sale securities	-	(57,077,432)	-	-
Proceeds from disposal of investments in available-for-sale securities	9,874,178	50,032,136	-	-
Increase in short-term loans to related parties	(8,360,772)	(14,447,247)	-	-
(Increase) decrease in deposits at bank with restrictions	28,920,255	(184,182,374)	-	-
Net proceeds from disposal of investment in subsidiary (Note 3.6)	3,933,778	-	-	-
Increase in investments in subsidiaries	-	-	(2,580,681,180)	-
Decrease in consolidation goodwill (Note 15)	622,173,570	66,314,467	-	-
Proceeds from return fund of investment in subsidiary company	-	-	161,226,234	-
Proceeds from liquidation of associated company	100,176,153	-	-	-
Proceeds from return fund of investment in other parties	6,066,720	12,649,352	-	-
Acquisition of property, plant and equipment	(946,268,818)	(617,157,039)	(495,409,979)	(481,456,535)
Proceeds from disposal of property, plant and equipment	63,557,941	323,306,727	2,603,384	34,848,154
Other intangible assets (increase) decrease	(12,272,867)	19,083	-	-
Net cash flows used in investing activities	(132,199,862)	(420,542,327)	(2,912,261,541)	(446,608,381)
Cash flows from financing activities:-				
Increase in bank overdrafts and short-term loan from financial institutions	1,624,357,579	61,947,120	-	-
Decrease in short-term loan from related parties	(34,502,222)	(31,126,230)	-	-
Decrease in long-term loan from related party	-	-	-	(1,663,282,064)
Repayment in long-term loan from financial institutions	(2,136,087,200)	(1,766,379,800)	-	-
Dividend paid	(1,486,302,528)	(950,491,571)	(1,486,302,528)	(950,491,571)
Returned dividend	202,806	20,029	202,806	20,029
Proceeds from increase in share capital	57,950,711	14,625	57,950,711	14,625
Net cash flows used in financing activities	(1,974,380,854)	(2,686,015,827)	(1,428,149,011)	(2,613,738,981)
Decrease in translation adjustment	(759,318,528)	(342,767)	-	-
Net increase (decrease) in cash and cash equivalents	126,105,927	3,097,723,526	(202,693,407)	2,676,907,724
Cash and cash equivalents at beginning of year	7,145,819,576	3,833,527,262	5,309,825,378	2,417,913,321
Cash and cash equivalents at end of year (Note 29)	7,271,925,503	6,931,250,788	5,107,131,971	5,094,821,045
Supplemental cash flows information:				
Cash paid during the year for:				
Interest	198,357,565	162,535,319	14,100,354	-
Income tax	119,581,425	4,659,809	843,425	1,493,310

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

CONSOLIDATED

	Issued and paid-up share capital	Premium on share capital	Unrealised gain (loss) on investments in available-for-sale securities	Translation adjustment	Retained earnings		Minority interest-equity attributable to minority shareholders of subsidiaries	Total
					Appropriated	Unappropriated		
Balance as at 31 December 2004	1,188,102,115	1,491,912,500	(41,001,868)	(150,241,673)	120,000,000	10,743,792,453	61,268,839	13,413,832,366
Unrealised gain on investments in available-for-sale securities	-	-	27,879,408	-	-	-	-	27,879,408
Translation adjustment	-	-	-	247,436,775	-	-	-	247,436,775
Unrealised items in income statements	-	-	27,879,408	247,436,775	-	-	-	275,316,183
Net income for the year	-	-	-	-	-	2,284,680,097	-	2,284,680,097
Appropriated to legal reserve (Note 22)	-	-	-	-	5,900,000	(5,900,000)	-	-
Dividend paid (Note 28)	-	-	-	-	-	(950,491,571)	-	(950,491,571)
Dividend return	-	-	-	-	-	20,029	-	20,029
Increase share capital (Note 21)	14,625	-	-	-	-	-	-	14,625
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	(2,999,100)	(2,999,100)
Balance as at 31 December 2005	1,188,116,740	1,491,912,500	(13,122,460)	97,195,102	125,900,000	12,072,101,008	58,269,739	15,020,372,629
Unrealised gain on investments in available-for-sale securities	-	-	18,466,552	-	-	-	-	18,466,552
Translation adjustment	-	-	-	(984,248,401)	-	-	-	(984,248,401)
Unrealised items in income statements	-	-	18,466,552	(984,248,401)	-	-	-	(965,781,849)
Net income for the year	-	-	-	-	-	1,961,710,316	-	1,961,710,316
Dividend paid (Note 28)	-	-	-	-	-	(1,486,302,528)	-	(1,486,302,528)
Dividend return	-	-	-	-	-	202,806	-	202,806
Increase share capital (Note 21)	57,950,711	-	-	-	-	-	-	57,950,711
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	(3,079,573)	(3,079,573)
Balance as at 31 December 2006	1,246,067,451	1,491,912,500	5,344,092	(887,053,299)	125,900,000	12,547,711,602	55,190,166	14,585,072,512

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The accompanying notes are an integral part of the financial statements

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

THE COMPANY ONLY

	Unrealised gain (loss)						Total
	on investments in						
	Issued and paid-up share capital	Premium on share capital	available-for-sale securities	Translation adjustment	Retained earnings		
				Appropriated	Unappropriated		
Balance as at 31 December 2004	1,188,102,115	1,491,912,500	(41,001,868)	(150,241,673)	120,000,000	10,743,792,453	13,352,563,527
Unrealised gain on investments in available-for-sale securities	-	-	27,879,408	-	-	-	27,879,408
Translation adjustment	-	-	-	247,436,775	-	-	247,436,775
Unrealised items in income statements	-	-	27,879,408	247,436,775	-	-	275,316,183
Net income for the year	-	-	-	-	-	2,284,680,097	2,284,680,097
Appropriated to legal reserve (Note 22)	-	-	-	-	5,900,000	(5,900,000)	-
Dividend paid (Note 28)	-	-	-	-	-	(950,491,571)	(950,491,571)
Dividend return	-	-	-	-	-	20,029	20,029
Increase share capital (Note 21)	14,625	-	-	-	-	-	14,625
Balance as at 31 December 2005	1,188,116,740	1,491,912,500	(13,122,460)	97,195,102	125,900,000	12,072,101,008	14,962,102,890
Unrealised gain on investments in available-for-sale securities	-	-	18,466,552	-	-	-	18,466,552
Translation adjustment	-	-	-	(984,248,401)	-	-	(984,248,401)
Unrealised items in income statements	-	-	18,466,552	(984,248,401)	-	-	(965,781,849)
Net income for the year	-	-	-	-	-	1,961,710,316	1,961,710,316
Dividend paid (Note 28)	-	-	-	-	-	(1,486,302,528)	(1,486,302,528)
Dividend return	-	-	-	-	-	202,806	202,806
Increase share capital (Note 21)	57,950,711	-	-	-	-	-	57,950,711
Balance as at 31 December 2006	1,246,067,451	1,491,912,500	5,344,092	(887,053,299)	125,900,000	12,547,711,602	14,529,882,346

The accompanying notes are an integral part of the financial statements

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. CORPORATE INFORMATION

Delta Electronics (Thailand) Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Deltron Holding Limited, which was incorporated in Channel Islands. The Company is principally engaged in the manufacture and distribution of electronic products and its registered address is 714 Moo 4, Tambon Prakasa, Amphur Muangsamutprakarn, 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, except for the early adoption of Accounting Standard No. 56 “Accounting for Income Tax” which is in line with International Accounting Standard (IAS) No. 12 “Income Taxes” (revised 1996).

The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

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

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of the Company 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	
		<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		Percent	Percent		Percent	Percent	Percent	Percent
DET International Holding Limited	Holding business	100	100	Cayman Island	40.46	19.98	45.31	22.80
Delta Energy Systems (Switzerland) AG	Trading, research and developments for electronic products	100	100	Switzerland	7.14	19.83	8.13	22.07

Company's name	Nature of business	Percentage of indirect shareholding		Country of incorporation
		2006 Percent	2005 Percent	
<u>The subsidiary companies owned by DET International Holding Limited</u>				
Newton Power Limited	Marketing, research and development for electronic products	-	100	China
DET Logistics (USA) Corporation	Trading of electronic products	100	100	USA
DET Video Technology Limited	Trading of electronic products	100	100	British virgin Island
Delta Energy Systems (Romania) S.R.L.	Research and development for electronic products	100	-	Romania
Delta Energy Systems (Slovakia) s.r.o.	Manufacture and trading of electronic products	100	-	Slovakia
Delta Energy Systems (Germany) GmbH.	Trading of electronic products	100	-	Germany
Delta Energy Systems (India) Private Ltd.	Manufacture and trading of electronic products	100	-	India
Delta Energy Systems (Arizona) Inc.	Research and development for electronic products	100	-	USA
Delta Electronics Europe Ltd.	Trading of electronic products	100	-	Scotland
Delta Electronics (Slovakia) s.r.o. (DET International Holding Limited and Delta Energy Systems (Slovakia) s.r.o. having shareholdings of 99.99 percent and 0.01 percent, respectively)	Manufacture and trading of electronic products	100	-	Slovakia
<u>The subsidiary companies owned by Delta Energy Systems (Switzerland) AG</u>				
Delta Energy Systems (Romania) S.R.L.	Research and development for electronic products	-	100	Romania
Delta Energy Systems (Czech republic) spol.s.r.o.	Trading of electronic products	100	100	Czech Republic
Delta Energy Systems (Slovakia) s.r.o.	Manufacture and trading of electronic products	-	100	Slovakia
Delta Energy Systems (Germany) GmbH.	Trading of electronic products	-	100	Germany
Delta Energy Systems (Spain) S.L.	Trading of electronic products	100	100	Spain
Delta Energy Systems (France) S.A.	Trading of electronic products	100	100	France
Delta Energy Systems (Italy) s.r.l.	Trading of electronic products	100	100	Italy
Delta Energy Systems (Sweden) AB.	Trading of electronic products	100	100	Sweden
Delta Energy Systems (Finland) Oy.	Trading of electronic products	100	100	Finland
Delta Energy Systems (Brazil) S.A.	Trading of electronic products	100	100	Brazil
Delta Systems Energia (Curitiba) Ltd. (owned by Delta Energy Systems (Brazil) S.A.)	Engineering	100	100	Brazil
Delta Energy Systems (Hong Kong) Ltd.	Liquidation completed	-	100	China
Delta Energy Systems (Malaysia) Sdn Bhd.	In liquidation process	100	100	Malaysia
Delta Energy Systems (India) Private Ltd.	Manufacture and trading of electronic products	-	100	India
Delta Energy Systems (Guangzhou) Ltd.	Trading of electronic products	51	51	China
Delta Energy Systems (USA) Inc.	In liquidation process	100	100	USA
Delta Energy Systems (Arizona) Inc.	Research and development for electronic products	-	100	USA
Delta Electronics Europe Ltd.	Trading of electronic products	-	100	Scotland
Delta Energy Systems (Poland) Sp z o o.	Trading of electronic products	100	100	Poland
Delta Energy Systems LLC.	Trading of electronic products	100	100	Russia

- 3.2 The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.
- 3.3 Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- 3.4 Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies. The resultant differences are amortised over a period of 20 years commencing as from the date of acquisition of the investment.
- 3.5 At a meeting of the Board of Directors of DET International Holding Limited, held on 14 February 2006, it was resolved that the subsidiary would acquire 4 overseas companies, Delta Energy Systems (Germany) GmbH, Delta Energy Systems (Slovakia) s.r.o., Delta Energy Systems (India) Private Ltd. and Delta Electronics Europe Ltd., from Delta Energy Systems (Switzerland) AG. The value of the acquisitions totaled approximately CHF 1.3 million.

However, the change in the composition of the Group has had no impact on the percentage shareholdings of the Company in this group of subsidiary companies.

- 3.6 During the year 2006, DET International Holding Limited, sold all of the 2,020,688 ordinary shares comprising its investment in Newton Power Limited to a related company, Delta International Holding Limited, for USD 0.97 million. The result of the disposal of this investment is included in “Selling and administrative expenses” and as at the disposal date, the balance of cash and cash equivalents of Newton Power Limited amounted to approximately of USD 0.87 million.
- 3.7 A meeting of the Board of Directors of DET International Holding Limited held on 10 May 2006 passed a resolution to establish a new subsidiary company in Slovakia, Delta Electronics (Slovakia) s.r.o. with a registered capital of SKK 200,000. This new subsidiary company was incorporated on 8 July 2006 and in November 2006 increased its registered capital to SKK 421,190,000 with DET International Holding Limited and Delta Energy Systems (Slovakia) s.r.o. having shareholdings of 99.99 percent and 0.01 percent, respectively. The two subsidiaries have made full payment of the new company’s share capital.

3.8 At a meeting of the Board of Directors of DET International Holding Limited, held on 28 December 2006, it was resolved that the subsidiary would acquire 2 overseas companies, Delta Energy Systems (Arizona) Inc. and Delta Energy Systems (Romania) s.r.l., from Delta Energy Systems (Switzerland) AG. The value of the acquisitions totaled approximately CHF 0.7 million.

However, the change in the composition of the Group has had no impact on the percentage shareholdings of the Company in this group of subsidiary companies.

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

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

In this regard, the Company has elected to adopt the change in 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. However, the effects to the net income in the separate income statement for the year 2006 and net worth in the balance sheet at 31 December 2006 would be immaterial.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue Recognition

Sales of goods

Sales of goods are recognized 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 recognized when services have been rendered taking into account the stage of completion.

Interest income

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

5.2 Cash and cash equivalents

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

5.3 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 generally based on collection experiences and analysis of debtor aging.

5.4 Inventories

Finished goods and work in process are valued at the lower of standard cost (which approximates actual cost) and net realisable value. Standard cost includes all production costs and attributable factory overheads.

Raw materials are valued at the lower of standard cost (which approximates actual cost) and net realisable value and are charged to production costs whenever consumed.

5.5 Investments

Investments in available-for-sale securities are stated at fair value. The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.

Investments in subsidiaries (in the financial statements of the Company only) and associated companies are accounted for under the equity method.

Investments in the ordinary and preference shares of other companies, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

5.6 Property, plant and equipment/depreciation

Land is stated at cost, plant and equipment are stated at cost less accumulated depreciation and less allowance for loss on impairment of property, plant and equipment (if any). Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:-

Building	20 - 50	years
Land improvement	10 - 20	years
Machinery and equipment	5 - 20	years
Molds and toolings	2 - 5	years
Furniture and fixtures	5 - 20	years
Office equipment	3 - 10	years
Motor vehicles	5	years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

5.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated by reference to their costs on a straight-line basis over the period of 20 years.

The amortisation is included in determining income

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 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.

5.9 Foreign currencies

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

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries make 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.

5.11 Employee benefits

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

Delta Energy Systems (Switzerland) AG and the subsidiaries in Germany, India, Scotland and France recognise pension plan benefits as liabilities in their financial statements in accordance with the bases and conditions stipulated in the regulations of these companies. (The Company and all other subsidiaries have not adopted a policy to account for employee pension plan benefits as this has not yet been addressed by any Accounting Standard).

5.12 Provision

Provision are recognised when the Company and its subsidiaries have 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.

5.13 Corporate income tax

Current tax

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

Overseas subsidiary companies calculate corporate income tax in accordance with tax rate regulated in tax law of those countries.

Deferred tax

Deferred income tax is calculated based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, by using the enacted tax rate at the balance sheet date.

The Company and its subsidiaries recognise deferred tax liabilities for taxable temporary differences and recognises deferred tax assets for deductible temporary differences and tax losses carried forward. The Company and its subsidiaries recognise deferred tax assets to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilized.

At each balance sheet date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

5.14 Derivatives

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 amortized on a straight-line basis over the contract periods.

Interest rate swap contracts

The net amount of interest to be received from or paid to the counterparty under the interest rate swap contracts is recognised as income or expenses on an accrual basis.

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. RELATED PARTY TRANSACTIONS

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

(Unit: Million Baht)

	Consolidated		The Company Only		Transfer Pricing policies
	2006	2005	2006	2005	
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	-	-	10,113	9,336	With reference to market price
Sales of raw materials	-	-	225	30	With reference to market price
Purchase of raw materials	-	-	113	98	With reference to market price
Commission paid	-	-	903	511	Contract price
Inspection paid	-	-	-	53	Contract price
Borrowing (Average balance of loans outstanding during year)	-	-	-	1,178	No interest charge
<u>Transactions with related parties</u>					
Sales of goods	1,128	1,790	1,120	1,731	With reference to market price
Sales of raw materials	67	36	63	36	With reference to market price
Purchase of raw materials	529	375	220	375	With reference to market price
Commission paid	647	953	625	953	Contract price
Commission received	14	-	-	-	Contract price
Inspection received	76	134	-	-	Contract price
Services income	88	96	-	-	Agreed upon basis
Sales of investments in subsidiary	38	-	-	-	Contract price
Lending (Average balance of loans outstanding during year)	44	-	-	-	Interest at a rate reference to LIBOR+1%
Borrowing (Average balance of loans outstanding during year)	13	48	-	-	Interest at a rate reference to LIBOR+1%

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

	Consolidated		The Company Only	
	2006	2005	2006	2005
Trade accounts receivable, related parties				
Subsidiary companies				
DET Logistics (USA) Corporation	-	-	1,583,311,331	2,044,128,543
Delta Energy Systems (Switzerland) AG	-	-	100,399,487	87,770,889
Delta Energy Systems (Germany) GmbH.	-	-	9,193,672	105,788,786
Delta Energy Systems (India) Private Ltd.	-	-	65,630,595	33,175,309
Delta Energy Systems (Brazil) S.A.	-	-	2,323,077	6,225,174
Delta Energy Systems (Slovakia) s.r.o.	-	-	5,516,096	2,471,736
Delta Electronics Europe Ltd.	-	-	-	11,919,940
DET Video Technology Limited	-	-	1,073,660,278	88,219,350
Others	-	-	168,271	2,379,064
	-	-	2,840,202,807	2,382,078,791
Other related parties				
Delta Electronics Inc.	25,772,944	40,456,357	5,821,648	10,733,124
Delta Electronics (Japan) Ltd.	15,253,961	19,209,882	15,253,961	19,209,882
Delta Products Corporation Ltd.	162,103,457	164,064,630	162,029,795	161,854,752
Delta Electronics International Ltd.	11,640,688	52,762,836	11,573,942	36,550,924
Delta Video Technology Ltd.	-	235,535,231	-	235,535,231
Delta Network International Ltd.	10,236,770	22,207,041	10,236,770	22,207,041
Delta Electronics (Jiangsu) Limited	30,420,700	21,514,146	29,063,723	9,279,920
Addtron Technology (Japan) Limited	5,765,259	63,398,383	5,765,259	63,398,383
Deltronics (Netherland) BV	4,855,898	8,711,012	-	-
Delta Electronics (Hong Kong) Ltd.	6,637,670	12,505,072	-	-
Others	12,243,745	3,023,578	8,148,365	2,973,536
	284,931,092	643,388,168	247,893,463	561,742,793
Total trade accounts receivable, related parties	284,931,092	643,388,168	3,088,096,270	2,943,821,584
Short-term loan to and amounts due from related parties				
Deltronics (Netherland) BV	22,058,020	50,283,624	-	-
Others	749,999	2,927,178	-	-
Total short-term loan to and amounts due from related parties	22,808,019	53,210,802	-	-

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts payable, related parties</u>				
<u>Subsidiary companies</u>				
Delta Energy Systems (Germany) GmbH.	-	-	22,117,114	18,300,267
Delta Energy Systems (Slovakia) s.r.o.	-	-	821,201	6,807,958
Others	-	-	1,795,476	1,908,404
	-	-	24,733,791	27,016,629
<u>Other related parties</u>				
Delta Electronics Inc.	68,649,016	330,957,674	12,102,767	88,917,560
Delta Electronics (Japan) Ltd.	8,027,524	6,864,462	8,027,524	6,864,462
Delta Products Corporation Ltd.	5,298,524	15,295,640	4,905,717	15,077,380
Delta Electronics International Ltd.	26,522,048	1,541,754	17,509,643	208,189
Delta Video Technology Ltd.	60,000,228	8,219,224	-	-
Others	2,543,775	14,965,531	1,595,201	5,730,503
	171,041,115	377,844,285	44,140,852	116,798,094
Total trade accounts payable, related parties	171,041,115	377,844,285	68,874,643	143,814,723
<u>Short-term loan from and amounts due to related parties</u>				
<u>Subsidiary companies</u>				
DET Logistics (USA) Corporation	-	-	16,064,188	15,922,753
Delta Energy Systems (Germany) GmbH.	-	-	42,287,044	20,787,892
Delta Energy Systems (Switzerland) AG	-	-	19,881,264	-
Delta Energy Systems (Arizona) Inc.	-	-	-	7,411,428
Delta Electronics Europe Ltd.	-	-	14,405,246	7,785,540
Others	-	-	899	185
	-	-	92,638,641	51,907,798
<u>Other related parties</u>				
Delta Electronics (Scotland) Ltd.	860,699	34,502,221	-	-
Delta Products Corporation Ltd.	47,441,542	74,989,922	47,441,542	74,989,922
Others	14,620,605	1,770,558	8,866,210	1,770,558
	62,922,846	111,262,701	56,307,752	76,760,480
Total short-term loan from and amounts due to related parties	62,922,846	111,262,701	148,946,393	128,668,278

The Company has entered into agreements with the subsidiaries and with the related parties whereby the subsidiaries and the related parties will provide sales services, marketing services, management services, technical information services and after-sales services. Under the agreements, the Company is obliged to pay commission to its subsidiaries and related companies at rates ranging from 0.25 to 10 percent of sales and also entered into agreement with the subsidiaries and with the related parties whereby the subsidiaries and the related parties will provide raw material purchasing services, the Company is obliged to pay at rate not over than 3 percent of the purchasing price. These agreements are not for an identified period and are cancellable.

As at 1 June 2005, the Company and its subsidiary have entered into a loan currency swap agreement, whereby the currency of the Company's long-term loan from the subsidiary was swapped from Swiss Francs to US dollars. As a result of this agreement, the amount of the loan was converted from CHF 53 million to USD 43 million. Full repayment of the loan was due by June 2008 and there was no interest charge. However, in September 2005, the Company made full payment of the outstanding loan to its subsidiary so that the subsidiary could repay the long-term loans to financial institutions in this month as mentioned in note 20 to the financial statements.

Directors and management's remuneration

In 2006 the Company paid salaries, bonus, meeting allowances and gratuities to their directors and management totaling approximately of Baht 16 million (2005: approximately of Baht 11 million).

In addition, during the year 2005 the Company has allocated 7,725,000 warrants to its directors and executive management without charge. The details of the warrants are presented in note 21 to the financial statements.

Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its related parties, as described in Note 31.2.2 to the financial statements.

7. CASH AND CASH EQUIVALENTS

Most of the Company's cash at banks comprises cash deposited with various banks in US Dollar accounts, amounting to approximately USD 82 million as at 31 December 2006. Most of this amount is in two accounts with overseas banks (31 December 2005: approximately USD 127 million, most of balance is in 2 overseas banks).

8. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

(Unit: Baht)

	31 December 2006		31 December 2005	
	Cost/		Cost/	
	Book value	Fair value	Book value	Fair value
Available-for-sale securities				
a) Cyntec Company Limited	41,581,590	55,610,735	48,009,064	45,130,885
b) Loyalty Founder Enterprise Company Limited	59,083,034	50,397,981	60,060,509	49,816,228
Total	100,664,624	106,008,716	108,069,573	94,947,113
Unrealised gain (loss) on investments in available-for-sale securities	5,344,092		(13,122,460)	
Translation adjustment	(16,636,356)		(3,673,349)	
Net investments in available-for-sale securities	89,372,360		91,273,764	

9. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balances as at 31 December 2006 and 2005 are as follows:-

(Unit: Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
<u>Trade accounts receivable, related parties</u>				
Current	235,792,240	556,744,809	2,727,803,240	2,548,445,303
Past due 1 - 3 months	42,589,149	83,057,337	320,110,065	395,145,835
Past due 3 - 6 months	1,135,662	3,577,075	21,487,475	230,446
Past due 6 - 12 months	4,717,819	8,947	15,571,512	-
Past due over 12 months	696,222	-	3,123,978	-
Total	284,931,092	643,388,168	3,088,096,270	2,943,821,584
<u>Trade accounts receivable, unrelated parties</u>				
Current	6,879,268,036	6,993,799,066	2,939,664,294	4,094,156,827
Past due 1 - 3 months	962,929,956	685,778,340	489,150,613	510,755,728
Past due 3 - 6 months	76,391,985	73,034,378	36,358,155	39,719,527
Past due 6 - 12 months	46,134,511	25,122,592	14,659,917	19,738,368
Past due over 12 months	55,146,489	258,924,215	9,113,705	249,764,703
Total	8,019,870,977	8,036,658,591	3,488,946,684	4,914,135,153
Total trade accounts receivable	8,304,802,069	8,680,046,759	6,577,042,954	7,857,956,737
Less : Allowance for doubtful accounts	(104,330,083)	(363,059,219)	(16,099,075)	(261,695,236)
Trade accounts receivable - net	8,200,471,986	8,316,987,540	6,560,943,879	7,596,261,501

The Company wrote off 2 uncollectible accounts receivable amounting to approximately Baht 230 million. This write offs of the accounts receivable and the related allowance for doubtful accounts were reflected in the year 2006.

10. INVENTORIES

(Unit: Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Finished goods	1,459,533,565	1,395,361,712	471,267,269	542,353,187
Work in process	413,181,303	659,519,105	218,869,957	369,207,677
Raw materials	2,580,007,927	2,094,604,138	1,264,156,771	1,028,356,686
Goods intransit	933,253,060	1,139,081,178	183,950,197	199,583,792
Total	5,385,975,855	5,288,566,133	2,138,244,194	2,139,501,342
Less : Allowance for stock obsolescence	(773,345,140)	(1,044,195,829)	(240,685,692)	(247,934,297)
Inventories - net	4,612,630,715	4,244,370,304	1,897,558,502	1,891,567,045

11. DEPOSITS AT BANK WITH RESTRICTIONS

The balance as at 31 December 2006 mainly represented bank deposits of approximately CHF 4 million (2005: approximately CHF 4.2 million) of a subsidiary in the Republic of China which are subject to restrictions under the laws of the Republic of China, and bank deposits of approximately EUR 1.8 million (2005: approximately EUR 2 million) of a subsidiary in Germany which are subject to pension fund restrictions.

12. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

These represent investments in ordinary shares in the following subsidiary and associated companies:-

(Unit: Baht)

Company's name	Consolidated								
	Issued and paid up capital			Shareholding percentage		Cost		Carrying amounts based on equity method	
	Foreign currency	2006	2005	2006	2005	2006	2005	2006	2005
				%	%				
Associated companies (owned by DET International Holding Limited)									
Huada Holding Company Limited	USD	-	16,000,000	-	45	-	266,009,850	-	88,159,005
Delta Green (Tianjin) Industries Company Limited	USD	20,000,000	20,000,000	50	50	394,383,470	394,383,470	463,805,170	430,743,101
Translation adjustment						-	-	(42,290,963)	28,154,379
Total investments accounted for under equity method - associated companies						<u>394,383,470</u>	<u>660,393,320</u>	<u>421,514,207</u>	<u>547,056,485</u>

(Unit: Baht)

Company's name	The Company Only								
	Issued and paid up capital			Shareholding percentage		Cost		Carrying amounts based on equity method	
	Foreign currency	2006	2005	2006	2005	2006	2005	2006	2005
				%	%				
Subsidiary companies									
DET International Holding Limited	USD	120,675,626	53,852,576	100	100	4,713,731,326	2,133,050,146	3,735,148,725	1,363,616,007
Delta Energy Systems (Switzerland) AG	CHF	20,000,000	20,000,000	100	100	2,414,917,694	2,576,143,928	1,197,496,530	1,371,255,372
Unrealised gain (loss) on investments in available-for-sale securities of a subsidiary						-	-	5,344,092	(13,122,460)
Translation adjustment						-	-	(887,053,299)	97,195,102
Total investments accounted for under equity method - subsidiary companies						<u>7,128,649,020</u>	<u>4,709,194,074</u>	<u>4,050,936,048</u>	<u>2,818,944,021</u>

The consolidated financial statements included the financial statement of its subsidiaries, Delta Energy Systems (Arizona) Inc., Delta Energy Systems (Romania) s.r.l. and Delta Electronics (Slovakia) s.r.o. and share of income/loss from associated company that are recorded based on the financial statements prepared by the management of these companies, which have not yet been audited by their auditors.

The meeting of the Board of Directors of the Company held on 9 February 2006 approved resolutions to increase the registered share capital of DET International Holding Limited, from USD 54 million to USD 106 million, while the meeting of the Board of Directors of the Company held on 1 August 2006 approved resolutions to increase the registered share capital of the same subsidiary from USD 106 million to USD 121 million. The Company acquired all of such additional share capital and as a result there is no impact on the composition of the Group.

At a meeting of the Board of Directors of DET International Holding Limited, held on 23 March 2006, it was resolved that the subsidiary would dispose of its investment in an associated company, Huada Holding Company Limited, by dissolving and liquidating such company. During the current year, the associated company completed its dissolution and liquidation, with DET International Holding Limited received cash amounting to approximately of USD 2.7 million as a result of such liquidation.

13. INVESTMENTS IN OTHER PARTIES

These represent investments in ordinary shares and preference shares of the following companies:-

	Shareholding		Consolidated	
	percentage		Balance as at 31 December	
	2006	2005	2006	2005
	%	%		
IP Fund One, L.P. (owned by DET International Holding Limited)	3.84	3.84	346,897,384	352,964,104
Ezonics Corporation Company Limited (owned by DET International Holding Limited)	16.49	16.49	50,582,003	50,582,003
Total investment in other parties			397,479,387	403,546,107
Less : Allowance for diminution in value of investment in other parties			(135,027,026)	(135,027,026)
Translation adjustment			(42,398,846)	(11,196,645)
Investments in other parties - net			220,053,515	257,322,436

(Unit: Baht)

14. PROPERTY, PLANT AND EQUIPMENT - NET

(Unit: Baht)

	CONSOLIDATED								Total
	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	
Cost :									
31 December 2005	313,358,062	1,238,774,011	5,327,864,028	880,625,623	948,356,843	3,100,428	838,692,590	384,707,445	9,935,479,030
Purchase/transfer in	-	5,985,163	361,591,278	131,048,480	47,076,132	394,854,824	51,316,025	496,928,755	1,488,800,657
Disposal/write-off/transfer out	-	(2,198,647)	(301,975,978)	(15,684,572)	(24,781,919)	(99,186,846)	(69,816,600)	(541,003,594)	(1,054,648,156)
Decrease from disposal investment in subsidiary during year	-	-	(56,742,582)	-	-	-	(17,088,229)	(18,423,204)	(92,254,015)
Translation adjustment	49,483	914,859	(24,040,470)	22,071,720	(2,365,342)	57,569	(21,123,648)	(7,256,945)	(31,692,774)
31 December 2006	313,407,545	1,243,475,386	5,306,696,276	1,018,061,251	968,285,714	298,825,975	781,980,138	314,952,457	10,245,684,742
Accumulated depreciation :									
31 December 2005	-	216,111,460	3,698,889,354	752,190,104	491,009,804	-	671,089,208	311,144,601	6,140,434,531
Depreciation for the year	-	31,791,814	672,209,368	115,011,598	104,608,925	-	96,269,158	23,449,481	1,043,340,344
Depreciation - disposal/write-off	-	(2,198,647)	(307,102,352)	(7,023,549)	(26,617,966)	-	(49,808,296)	(42,127,595)	(434,878,405)
Decrease from disposal investment in subsidiary during year	-	-	(48,244,033)	-	-	-	(14,028,625)	(18,097,658)	(80,370,316)
Translation adjustment	-	267	(22,296,987)	18,873,616	3,035,670	-	(18,280,576)	(4,597,247)	(23,265,257)
31 December 2006	-	245,704,894	3,993,455,350	879,051,769	572,036,433	-	685,240,869	269,771,582	6,645,260,897
Net book value :									
As at 31 December 2005	313,358,062	1,022,662,551	1,628,974,674	128,435,519	457,347,039	3,100,428	167,603,382	73,562,844	3,795,044,499
As at 31 December 2006	313,407,545	997,770,492	1,313,240,926	139,009,482	396,249,281	298,825,975	96,739,269	45,180,875	3,600,423,845
Depreciation charge (included in earnings statement) :									
Year 2005 (Baht 907 million include in manufacturing cost, and the balance in selling and administrative expenses)									1,164,961,136
Year 2006 (Baht 843 million include in manufacturing cost, and the balance in selling and administrative expenses)									1,043,340,344

14. PROPERTY, PLANT AND EQUIPMENT - NET (Continued)

(Unit: Baht)

	THE COMPANY ONLY								Total
	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	
Cost :									
31 December 2005	312,646,818	1,205,626,049	3,867,486,803	880,625,624	783,061,215	1,120,263	270,251,538	113,264,066	7,434,082,376
Purchase/transfer in	-	-	308,687,505	130,089,518	30,717,754	47,600,013	29,752,673	491,246,700	1,038,094,163
Disposal/write-off/transfer out	-	-	(89,842,064)	(14,265,748)	(7,671,175)	(45,023,773)	(17,075,688)	(503,163,920)	(677,042,368)
31 December 2006	312,646,818	1,205,626,049	4,086,332,244	996,449,394	806,107,794	3,696,503	282,928,523	101,346,846	7,795,134,171
Accumulated depreciation :									
31 December 2005	-	205,207,437	2,443,002,841	752,190,105	376,806,989	-	187,083,403	73,710,863	4,038,001,638
Depreciation for the year	-	27,708,408	551,961,390	112,559,723	71,136,789	-	52,358,969	9,092,679	824,817,958
Depreciation - disposal/write-off	-	-	(85,961,550)	(5,608,985)	(7,411,885)	-	(16,822,589)	(5,297,813)	(121,102,822)
31 December 2006	-	232,915,845	2,909,002,681	859,140,843	440,531,893	-	222,619,783	77,505,729	4,741,716,774
Net book value :									
As at 31 December 2005	312,646,818	1,000,418,612	1,424,483,962	128,435,519	406,254,226	1,120,263	83,168,135	39,553,203	3,396,080,738
As at 31 December 2006	312,646,818	972,710,204	1,177,329,563	137,308,551	365,575,901	3,696,503	60,308,740	23,841,117	3,053,417,397
Depreciation charge (included in earnings statement) :									
Year 2005 (Baht 752 million include in manufacturing cost, and the balance in selling and administrative expenses)									877,682,319
Year 2006 (Baht 713 million include in manufacturing cost, and the balance in selling and administrative expenses)									824,817,958

As at 31 December 2006, certain plant and equipment items of the Company have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 2,113 million (2005: Baht 1,539 million).

15. CONSOLIDATION GOODWILL

	(Unit: Baht)
	<u>Consolidation goodwill</u>
Balance as at 31 December 2005	1,055,292,092
Decrease during year	(692,314,569)
Amortisation	(29,895,916)
Translation adjustment	(215,720)
Balance as at 31 December 2006	<u><u>332,865,887</u></u>
Remaining useful life	<u><u>16 years 6 months</u></u>

Baht 30 million of the current year's amortisation (2005: Baht 66 million) has been included in the income statements for the year.

During the year 2006 there was a restructuring of shareholding within the group of companies belonging to Delta Energy Systems (Switzerland) AG as mentioned in note 3.5 to the financial statement. This reorganisation has resulted in a change to the amount of consolidation goodwill recognised by the Company.

During 2006, the Company estimated impairment of its consolidation goodwill by hire the independent appraiser for valuation of consolidation goodwill. The impairment assessment of consolidation goodwill is based on projected cash flows prepared in accordance with assumptions and operation plans developed by the Company's management. From this information, the appraisal value are greater than net book value of consolidation goodwill.

16. OTHER INTANGIBLE ASSETS

	(Unit: Baht)		
	<u>Patent rights</u>	<u>Others</u>	<u>Total</u>
Balance as at 31 December 2005	1,277,221,989	915,926	1,278,137,915
Increase during year	-	12,272,867	12,272,864
Amortisation	(62,241,075)	(11,692,166)	(73,933,241)
Translation adjustment	(151,993,422)	(11,461)	(152,004,883)
Balance as at 31 December 2006	<u><u>1,062,982,914</u></u>	<u><u>1,489,744</u></u>	<u><u>1,064,472,658</u></u>
Remaining useful life	<u><u>17 years 11 months</u></u>	<u><u>5 years</u></u>	

Baht 74 million of the current year's amortisation (2005: Baht 66 million) has been included in the income statements for the year.

During 2006, the Company estimated impairment of a subsidiary's patent rights by hire the independent appraiser for valuation of patent rights. The impairment assessment of patent rights is based on projected cash flows prepared in accordance with assumptions and operation plans developed by the Company's management. From this information, the appraisal value are greater than net book value of those patent rights.

17. BANK OVERDRAFT AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

Bank overdrafts and short-term loans from financial institutions as at 31 December 2006 and 2005 consist of:-

	Interest rate (percent per annum)	(Unit: Baht)	
		Consolidated	
		2006	2005
Bank overdrafts	8.00 - 10.00	191,251,081	27,215,949
Short-term loans from financial institutions	5.66 - 8.90	1,649,418,861	189,096,414
Total		1,840,669,942	216,312,363

Bank overdrafts and short-term loans from financial institutions of the subsidiaries are guaranteed by the Company.

18. ACCRUED EXPENSES

The balance as at 31 December 2006 mainly represented accrued expenses and provisions, totaling approximately Baht 1,183 million related to employee costs, product sales of the Company and its subsidiaries and claims (the Company only : Baht 659 million). The management of the Company and its subsidiaries believes that actual expenditures will be close to the amount estimated and accrued in the records of the Company and its subsidiaries.

19. PROVISIONS

These comprise the following:

	Consolidated					(Unit: Baht) The Company Only
	Pension	Restructuring costs	Warranty	Other provisions	Total	Warranty
Balance as at 31 December 2005	938,815,944	464,800,953	317,046,762	152,483,142	1,873,146,801	133,258,147
Add: Arising during period	60,851,478	79,868,445	68,084,042	84,055,531	292,859,496	40,387,995
Less: Decrease during period	(49,627,645)	(253,538,350)	(83,358,662)	(23,452,770)	(409,977,427)	(64,145,696)
Less: Reversal during period	(2,953,378)	(102,649,430)	(57,177,141)	(43,602,257)	(206,382,206)	(39,688,999)
Translation adjustment/ unrealized gain on exchange rate	(26,437,469)	(13,378,713)	(11,417,882)	(8,131,114)	(59,365,178)	(4,746,956)
Balance as at 31 December 2006	<u>920,648,930</u>	<u>175,102,905</u>	<u>233,177,119</u>	<u>161,352,532</u>	<u>1,490,281,486</u>	<u>65,064,491</u>
Current liabilities	3,885,786	172,651,193	76,443,790	40,943,858	293,924,627	65,064,491
Non-current liabilities	916,763,144	2,451,712	156,733,329	120,408,674	1,196,356,859	-
Balance as at 31 December 2006	<u>920,648,930</u>	<u>175,102,905</u>	<u>233,177,119</u>	<u>161,352,532</u>	<u>1,490,281,486</u>	<u>65,064,491</u>
Current liabilities	4,297,492	458,075,173	140,829,311	128,329,081	731,531,057	133,258,147
Non-current liabilities	934,518,452	6,725,780	176,217,451	24,154,061	1,141,615,744	-
Balance as at 31 December 2005	<u>938,815,944</u>	<u>464,800,953</u>	<u>317,046,762</u>	<u>152,483,142</u>	<u>1,873,146,801</u>	<u>133,258,147</u>

20. LONG-TERM LOAN FROM FINANCIAL INSTITUTIONS

As at 31 December 2005, a subsidiary of the Company had a dollar loan of approximately USD 52 million from local and overseas banks which is guaranteed by the Company.

During the year 2006, the subsidiary made full settlement of the long-term loan from financial institutions.

21. SHARE CAPITAL/WARRANTS

The Annual General Meeting of shareholders held on 30 March 2005 approved a resolution to issue up to 59,000,000 warrants for offer to executive directors and other employees of the Company. The warrants can be exercised to subscribe to newly issued ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 1 each. They are a one-time issue and have a life of 5 years, with the exercise period commencing on the last business day of January 2006. The warrants were listed on the stock Exchange of Thailand on 28 December 2005. The meeting also approved a resolution to increase the Company's registered share capital by 59,000,000 shares to support the exercise of the warrants, resulting in an increase in the number of ordinary shares comprising the registered share capital from 1,200,000,000 shares to 1,259,000,000 shares. The Company registered the increase in its registered share capital with the Ministry of Commerce on 7 April 2005.

The Meeting of the Board of Directors of the Company held on 9 February 2006 approved resolutions to pay a dividend to shareholders. As a result the Company adjusted the exercise ratio of the warrants in the manner stated in the prospectus, such that 1 warrant can be exercised to purchase 1.031 ordinary shares at a price of Baht 1 per share, effective from 7 March 2006.

During the current year, warrants were exercised to purchase new ordinary shares as follows:

	Number of warrants	Increase in paid up share capital from warrant exercise	Date of registration of additional shares from warrant exercise with the Ministry of Commerce
	(Unit)	(Baht)	
Outstanding as at 31 December 2005	59,000,000	-	
Exercised during January 2006	(50,468,700)	50,468,700	8 February 2006
Exercised during April 2006	(4,522,500)	4,662,692	9 May 2006
Exercised during July 2006	(1,427,800)	1,472,061	4 August 2006
Exercised during October 2006	(1,306,750)	1,347,258	6 November 2006
Outstanding as at 31 December 2006	<u>1,274,250</u>	<u>57,950,711</u>	

As of 31 December 2006 the issued and paid-up share capital of the Company has increased by Baht 57,950,711 as a result of the exercise of the above warrants, to Baht 1,246,067,451 (1,246,067,451 ordinary shares of Baht 1 each)

During January 2007, 1,217,850 warrants were exercised to purchase 1,255,601 new ordinary shares and leaving 56,400 warrants unexercised.

22. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside 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.

23. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	2006	2005	2006	2005
Number of employees at the end of year (persons)	12,585	13,655	11,413	12,509
Employee costs for the year (Million Baht)	4,378	4,565	2,003	1,953

24. PROVIDENT FUND

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly, at rates of 5 percent of basic salary. The fund, which is managed by Thai Military Bank Public Company Limited, will be paid to employees upon termination or when employees are promoted to a manager post, in accordance with the fund rules. During the year 2006, the Company contributed Baht 24,463,259 (2005: Baht 19,962,530) to the fund.

25. GAIN (LOSS) ON EXCHANGE RATE

(Unit: Baht)

	For the year ended 31 December			
	Consolidated		The Company Only	
	2006	2005	2006	2005
Realised loss on exchange rate	(68,469,622)	(405,626,364)	(378,939,980)	(3,965,946)
Unrealised gain (loss) on exchange rate	(515,900,011)	259,312,427	(498,152,342)	612,777,801
Gain (loss) on exchange rate	<u>(584,369,633)</u>	<u>(146,313,937)</u>	<u>(877,092,322)</u>	<u>608,811,855</u>

26. PROMOTIONAL PRIVILEGES

The Company have been granted promotional privileges under the Investment Promotion Act B.E. 2520 by the Board of Investment under certain significant conditions. Significant privileges of the Company are as follow:

Details									
1. Certificate No.	1404(1)/2544	1523/2543	1327(1)/2544	7030(1)/Aor. Yor./2544	7008(2)/Yor./ 2545	1776(4)/2547	1777(4)/2547	1571(2)/2549	1710(2)/2549
2. Promotional privileges for	Manufacturing of DC FAN	Manufacturing of EMI FILTER	Manufacturing of AC DC INVERTOR	Manufacturing of DC FAN	Manufacturing of EMI FILTER	Manufacturing of monitor and television	Manufacturing of electro magnetic product	Manufacturing of monitor and television	Manufacturing of electro magnetic product
3. The significant privileges are									
3.1 Exemption of corporate income tax for net income from promotional privileges and exemption of income tax on dividends paid from the profit of the operations throughout the period in which the corporate income tax is exempted.	7 years	7 years	3 years	7 years	7 years	7 years	7 years	5 years	5 years
3.2 Exemption of import duty on machinery as approved by the board.	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted	Granted
3.3 Exemption of import duty on raw materials and significant supplies used in export production.	Granted	Granted	Non - granted	Granted	Granted	Non - granted	Non - granted	Non - granted	Non - granted
3.4 Allowance for 5% of the increment in export income over the preceding year for ten years, providing that the export income of that particular year should not be lower than the average export earnings over the three preceding years except for the first two years.	Non - granted	Granted	Non - granted	Non - granted	Non - granted	Non - granted	Non - granted	Non - granted	Non - granted
4. Date of first earning operating income	Applying for open operation approval	7 January 2004	29 March 2004	7 February 2002	17 July 2002	Waiting for open operation approval	Waiting for open operation approval	Waiting for open operation approval	Waiting for open operation approval

The Company's operating revenues for the years are below shown divided according to promoted and non-promoted operations.

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>The Company only</u>						
Sales and services income						
Domestic sales	851,747,734	618,288,220	-	-	851,747,734	618,288,220
Export sales	29,741,964,282	33,408,823,213	424,533,666	184,974,002	30,166,497,948	33,593,797,215
Services income	-	-	3,501,939	-	3,501,939	-
Total	<u>30,593,712,016</u>	<u>34,027,111,433</u>	<u>428,035,605</u>	<u>184,974,002</u>	<u>31,021,747,621</u>	<u>34,212,085,435</u>

27. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year plus the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date that the potential ordinary shares were issued.

Reconciliation between basic earnings per share and diluted earnings per share is presented below:

	For the year ended 31 December					
	Net income		Weighted average number of ordinary shares		Earnings per share	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(Baht)	(Baht)	(shares)	(shares)	(Baht)	(Baht)
Basic earnings per share						
Net income	1,961,710,316	2,284,680,097	1,238,470,106	1,188,115,769	1.58	1.92
Effect of dilutive potential ordinary shares						
Warrants	-	-	8,550,287	611,267	-	-
Diluted earnings per share						
Net income of ordinary shareholders assuming the conversion of warrants to ordinary shares	<u>1,961,710,316</u>	<u>2,284,680,097</u>	<u>1,247,020,393</u>	<u>1,188,727,036</u>	1.57	1.92

28. DIVIDEND PAID

Dividends declared in 2006 and 2005 consisted of the followings:

<u>Dividends</u>	<u>Approved by</u>	<u>Total Dividends</u>	(Unit: Baht) <u>Dividend per share</u>
Final dividend for year 2005	Annual General Meeting of the shareholders on 30 March 2006	<u>1,486,302,528</u>	<u>1.20</u>
Final dividend for year 2004	Annual General Meeting of the shareholders on 30 March 2005	<u>950,491,571</u>	<u>0.80</u>

29. CASH FLOW STATEMENTS

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

	<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	6,798,019,213	7,145,819,576	4,632,876,588	5,309,825,378
Unrealised (gain) loss on exchange rate	<u>473,906,290</u>	<u>(214,568,788)</u>	<u>474,255,383</u>	<u>(215,004,333)</u>
Cash and cash equivalents in the statements of cash flows	<u>7,271,925,503</u>	<u>6,931,250,788</u>	<u>5,107,131,971</u>	<u>5,094,821,045</u>

30. FINANCIAL INFORMATION BY SEGMENT

The businesses of the Company and its subsidiaries mainly involve the single industry segment of the manufacture, distribution and service of electronic products and are mainly carried on both in Thailand and overseas. Financial information of the Company and its subsidiaries by geographical segment, as at 31 December 2006 and 2005, and for the years then ended, are as follows:-

	Thailand		Asia		USA		Europe		Total		Eliminated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unit : Million Baht)													
Revenue from external customers	20,684	24,847	1,778	1,181	14,412	9,893	6,680	7,998	43,554	43,919	-	-	43,554	43,919
Inter-segment revenues	10,337	9,365	1	74	5,851	12	5,266	5,793	21,455	15,244	(21,455)	(15,244)	-	-
Total revenues	<u>31,021</u>	<u>34,212</u>	<u>1,779</u>	<u>1,255</u>	<u>20,263</u>	<u>9,905</u>	<u>11,946</u>	<u>13,791</u>	<u>65,009</u>	<u>59,163</u>	<u>(21,455)</u>	<u>(15,244)</u>	<u>43,554</u>	<u>43,919</u>
Segment income(loss)	1,976	3,183	38	36	(48)	53	(365)	(1,515)	1,601	1,757			1,540	1,902
Unallocated income and expenses:														
Other income													699	668
Share of income (loss) from investments accounted for under equity method													37	(19)
Amortisation of intangible assets													(104)	(132)
Gain from disposal of investment in associated company													2	-
Loss from diminution value of investment in other parties													-	(28)
Gain (loss) on disposal of property, plant and equipment													(13)	106
Interest expenses													(150)	(141)
Corporate income tax													(49)	(71)
Net income													<u>1,962</u>	<u>2,285</u>

	Thailand		Asia		USA		Europe		Total		Eliminated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unit : Million Baht)													
Property, plant and equipment - net	3,053	3,396	47	48	13	11	487	340	3,600	3,795	-	-	3,600	3,795
Unallocated assets	17,253	17,694	974	813	7,664	3,404	10,458	11,583	36,349	33,494	(13,750)	(9,792)	22,599	23,702
Total assets	<u>20,306</u>	<u>21,090</u>	<u>1,021</u>	<u>861</u>	<u>7,677</u>	<u>3,415</u>	<u>10,945</u>	<u>11,923</u>	<u>39,949</u>	<u>37,289</u>	<u>(13,750)</u>	<u>(9,792)</u>	<u>26,199</u>	<u>27,497</u>

Transfer prices between business segments are as set out in Note 6 to the financial statements.

31. COMMITMENTS AND CONTINGENT LIABILITIES

31.1 Capital commitments

As at 31 December 2006, the Company and its subsidiaries had capital commitments amounting to Baht 104 million and INR 23 million for the purchase of machinery and equipments and had operating lease commitments amounting to CHF 1 million, GBP 0.3 million, EUR 7 million and INR 35 million.

31.2 Letters of guarantee

As at 31 December 2006 the Company and its subsidiary companies have the following outstanding letters of guarantee required in the ordinary course of their business:

31.2.1 Outstanding letters of guarantee for totals of approximately Baht 770 million (including a letter of guarantee for approximately Baht 740 million issued by a bank to meet obligations of the Company to the Revenue Department in relation to the tax assessment mentioned in note 31.3.2 to the financial statement), INR 139 million, EUR 0.4 million and CHF 0.9 million have been issued by banks to meet requirements of the Company and its subsidiary companies.

31.2.2 Outstanding letters of guarantee for totals of approximately SKK 1,253 million, USD 23 million and INR 55 million issued by the Company to meet requirements of its subsidiary companies.

31.2.3 Outstanding letters of guarantee issued by the subsidiary companies to meet requirements of other subsidiaries in the Group for totals of approximately EUR 0.3 million related to purchases of raw materials.

31.3 Tax assessment

31.3.1 An overseas subsidiary of the Company is currently being subjected to a tax inspection. Although the results of this inspection are not yet known, for conservative purposes the subsidiary has recorded provision for tax liabilities of approximately EUR 1 million. The Company's management believes that losses will not materially differ from the recorded amount.

- 31.3.2 During the year 2006, the Company received a corporate income tax assessment letter from Revenue Department covering the years 1997-2000, assessing tax amounting to approximately Baht 740 million (including penalties and surcharges). The Company has submitted a letter appealing the assessment and the legal counselor of the Company believes that no significant losses will be incurred by the Company. As a result, the Company has not recorded provision for this tax assessment.
- 31.3.3 During the year 2006, an overseas subsidiary is currently being subjected to a duty inspection by the Customs Department in relation to an export permit. The legal counselor of the subsidiary estimated the maximum assessment at not more than CHF 2.2 million. However, the Company has not recorded a provision since there is still uncertainty as to such assessment of duty.
- 31.3.4 During the year 2006, an overseas subsidiary corporate income tax assessment of approximately INR 27.6 million was made against the subsidiary by the Revenue Department in relation to transfer pricing, covering the years 2003-2004. The subsidiary has submitted a letter appealing the assessment and the management of the Company and the subsidiary believe that no significant losses will be incurred.

31.4 Litigation

As at 31 December 2006, a lawsuit had been filed against an overseas subsidiary company, claiming a total of INR 4.6 million. The case is currently being heard by the Court. However, the management of the Company and the subsidiary believe that no significant damage will be suffered by the Company and its subsidiary and no provision for the contingent liability has therefore been set aside in such accounts.

32. FINANCIAL INSTRUMENTS

32.1 Financial risk management

The Company and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "*Financial Instruments: Disclosure and Presentations*", principally comprise cash and cash equivalents, trade accounts receivable, loans, other accounts receivable, investments, short-term loans, accounts payable and other accounts payable. 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 trade accounts receivable, loans and other receivable. The Company and its subsidiaries 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 trade accounts receivable, loans and other accounts receivable as stated in the balance sheet.

Interest rate risk

The Company and its subsidiaries are exposed to interest rate risk relating primarily to their cash at banks, lending, bank overdrafts and short-term borrowings which carry interest rates. 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: -

	Consolidated						Interest rate (% p.a.)
	Fixed interest rates			Floating Interest rate	Non-interest bearing	Total	
	Within 1 year	1-5 years	Over 5 years				
	(Million baht)						
Financial Assets							
Cash and cash equivalents	2	-	-	6,272	524	6,798	0 - 5.23
Trade accounts receivable	-	-	-	-	8,200	8,200	-
Short-term loans to and amounts due from related parties	-	-	-	23	-	23	LIBOR + 1%
Other accounts receivable	-	-	-	-	25	25	-
Deposits at bank with restrictions	119	-	-	106	1	226	0 - 4.46
Total	121	-	-	6,401	8,750	15,272	
Financial liabilities							
Bank overdraft and short term loan from financial institutions	-	-	-	1,841	-	1,841	5.66 - 10
Trade accounts payable	-	-	-	-	6,153	6,153	-
Short term loan from and amount due to related parties	-	-	-	-	63	63	-
Other accounts payable	-	-	-	-	223	223	-
Total	-	-	-	1,841	6,439	8,280	

	The Company only						Interest rate (% p.a.)	
	Fixed interest rates			Floating Interest rate	Non-interest bearing	Total		
	Within 1 year	1-5 years	Over 5 years					
	(Million baht)							
Financial Assets								
Cash and cash equivalents	-	-	-	4,627	6	4,633	0.5 - 5.23	
Trade accounts receivable	-	-	-	-	6,561	6,561	-	
Total	-	-	-	4,627	6,567	11,194		
Financial liabilities								
Trade accounts payable	-	-	-	-	4,386	4,386	-	
Short term loan from and amount due to related parties	-	-	-	-	149	149	-	
Other accounts payable	-	-	-	-	204	204	-	
Total	-	-	-	-	4,739	4,739		

A subsidiaries of the company entered into interest rate swap contracts to manage risk associated with the financial liabilities carrying floating interest. The detail of short-term loans from financial institutions is set out in Notes to the financial statements No. 17. The details of the interest rate swap contracts outstanding as at 31 December 2006 are as follows:-

- Under an agreement to swap interest on a principal balance of USD 28 million, maturing in December 2007, from 25 September 2005 the subsidiary is required to pay interest to the financial institution every quarter, at a rate of 3.25 percent per annum if the 3-month LIBOR is less than 4 percent per annum or at a rate of 2.50 percent per annum if the 3-month LIBOR is more than 4 percent per annum. The financial institution is in turn required to pay interest to the subsidiary at a rate referenced to the 3-month LIBOR.

Foreign currency risk

Since the Company and its subsidiaries have a significant foreign currency risk in respect of the purchase/ sales transactions, lending/ borrowing, investments in foreign companies. As at 31 December 2006, outstanding balances of the Company and its subsidiaries' financial assets and liabilities denominated in foreign currencies are as follows: -

Foreign currency	Financial assets (Million)	Financial liabilities (Million)
US dollar	204	90
Japanese yen	59	294
EURO	12	10
New Taiwan dollar	94	0.2

The Company and its subsidiaries manage its exposure to foreign currency risk by using derivatives considered appropriate (except for the foreign currency risk from investment in foreign countries which the Company and its subsidiaries have considered insignificant effects to the financial statements). As at 31 December 2006, the outstanding derivatives are as follows:-

1. Forward contracts

	Amount	Forward rate	Maturity date
	(Unit: Million unit of foreign currency)	(Baht per unit of foreign currency)	
Forward contracts to "Sell"			
USD/THB	30	35.9790 - 36.5380	Within February 2007

2. Option contracts

A subsidiary of the Company has entered into various buy/sell "call/put special-condition option" contracts with the overseas financial institutions. The amounts of foreign currency to be bought or sold under these contracts are maximum at USD 30 million. Most of those contracts will be matured in January 2007.

Subsequent events

During January 2007, the above option agreement matured, generating an immaterial gain for the subsidiary.

32.2 Fair values of financial instruments

Since the majority of the Company and its subsidiaries' 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.

33. SUBSEQUENT EVENTS

A meeting of the Board of Directors of the Company held on 13 February 2007 approved a resolution to propose a dividend of Baht 1.30 per share for the year 2006.

The Company will propose the resolution of the above meeting of the Board of Directors for adoption by the Annual General Meeting of the shareholders.

34. PRESENTATION

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net income or shareholders' equity.

35. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Company's Board of Directors on 13 February 2007.