

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2005 AND 2004

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 2005 and 2004, the related consolidated statements of earnings, 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 an overseas subsidiary and an overseas group of subsidiary companies as at 31 December 2005 and 2004 and for the years then ended were audited by the subsidiary's 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 this subsidiary and group of subsidiary companies, is based solely on the reports of those other auditors. These financial statements reflect total assets as at 31 December 2005 and 2004 of approximately Baht 7,466 million and Baht 9,229 million respectively, total revenues for the years ended 31 December 2005 and 2004 of approximately Baht 19,056 million and Baht 18,902 million respectively, net loss for the year ended 31 December 2005 and 2004 of approximately Baht 230 million and Baht 1,519 million respectively. In addition, the Company's financial statements include investments in this subsidiary and group of subsidiary companies stated under the equity method amounting to Baht 1,429 million and Baht 1,446 million as at 31 December 2005 and 2004, respectively, share of loss for the year ended 31 December 2005 and 2004 amounting to Baht 230 million and Baht 1,519 million, respectively.

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 second 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 2005 and 2004, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 9 February 2006

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2005	2004	2005	2004
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	7,145,819,576	3,833,527,262	5,309,825,378	2,417,913,321
Investments in available-for-sale securities	5	91,273,764	53,246,592	-	-
Accounts receivable - trade					
Related parties	23	643,388,168	488,165,238	2,943,821,584	3,570,078,030
Unrelated parties		8,036,658,591	10,489,698,143	4,914,135,153	6,657,116,350
Less : Allowance for doubtful accounts		(363,059,219)	(353,986,547)	(261,695,236)	(265,581,428)
Accounts receivable - trade, net	6	8,316,987,540	10,623,876,834	7,596,261,501	9,961,612,952
Short-term loan to and amounts due from related parties	23	53,210,802	-	-	-
Inventories - net	7	4,244,370,304	5,234,128,306	1,891,567,045	2,118,711,879
Other current assets					
Input tax refundable		114,900,964	109,215,463	22,642,995	14,817,593
Advance payments		29,429,346	43,085,813	21,748,453	29,533,045
Forward contracts receivable	12	29,898,873	-	-	-
Other accounts receivable		49,672,266	58,482,367	-	-
Others		181,524,756	189,289,890	31,050,094	22,766,870
TOTAL CURRENT ASSETS		20,257,088,191	20,144,852,527	14,873,095,466	14,565,355,660
NON - CURRENT ASSETS					
Investments accounted for under equity method	8	547,056,485	539,136,452	2,818,944,021	3,565,545,372
Investments in other parties	9	257,322,436	284,164,862	-	-
Property, plant and equipment - net	10	3,795,044,499	4,606,947,731	3,396,080,738	3,860,743,128
Intangible assets					
Consolidation goodwill		1,055,292,092	1,187,733,817	-	-
Other intangible assets		1,278,137,915	1,281,007,176	-	-
Other non-current assets		307,358,386	137,216,492	2,197,431	1,904,762
TOTAL NON-CURRENT ASSETS		7,240,211,813	8,036,206,530	6,217,222,190	7,428,193,262
TOTAL ASSETS		27,497,300,004	28,181,059,057	21,090,317,656	21,993,548,922

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 2005 AND 2004

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2005	2004	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans from financial institutions		216,312,363	154,365,243	-	-
Accounts payable - trade					
Related parties	23	377,844,285	465,226,525	143,814,723	151,326,933
Unrelated parties		5,730,724,532	6,186,850,182	4,745,801,603	5,500,694,457
Total accounts payable - trade		6,108,568,817	6,652,076,707	4,889,616,326	5,652,021,390
Short-term loan from and amounts due to related parties	23	107,913,513	242,180,483	128,668,278	242,213,445
Other current liabilities					
Accrued expenses	11	1,383,397,749	1,312,283,882	763,779,606	534,360,813
Advance received		282,925,619	178,383,160	166,392,805	144,630,007
Other accounts payable		222,909,870	279,624,461	161,447,720	195,871,232
VAT payable		127,900,664	28,406,710	-	-
Others		120,317,017	58,453,706	18,310,031	23,147,100
TOTAL CURRENT LIABILITIES		8,570,245,612	8,905,774,352	6,128,214,766	6,792,243,987
NON-CURRENT LIABILITIES					
Long-term loan from related party	23	-	-	-	1,848,741,408
Long-term loan from financial institutions	13	2,136,087,200	3,715,317,000	-	-
Provisions	14	1,735,591,161	2,102,213,502	-	-
Other non-current liabilities		35,003,402	43,921,837	-	-
TOTAL NON-CURRENT LIABILITIES		3,906,681,763	5,861,452,339	-	1,848,741,408
TOTAL LIABILITIES		12,476,927,375	14,767,226,691	6,128,214,766	8,640,985,395

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 2005 AND 2004

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2005	2004	2005	2004
SHAREHOLDERS' EQUITY					
Share capital					
Registered					
1,259 million ordinary shares of Baht 1 each					
(2004 : 1,200 million ordinary shares of Baht 1 each)					
	15	1,259,000,000	1,200,000,000	1,259,000,000	1,200,000,000
Issued and fully paid					
1,188.12 million ordinary shares of Baht 1 each					
(2004 : 1,188.10 million ordinary shares of Baht 1 each)					
		1,188,116,740	1,188,102,115	1,188,116,740	1,188,102,115
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 loss on investments in available-for-sale securities					
		(13,122,460)	(41,001,868)	(13,122,460)	(41,001,868)
Translation adjustments					
		97,195,102	(150,241,673)	97,195,102	(150,241,673)
Retained earnings					
Appropriated - Statutory reserve					
	16	125,900,000	120,000,000	125,900,000	120,000,000
Unappropriated					
		12,072,101,008	10,743,792,453	12,072,101,008	10,743,792,453
EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS					
		14,962,102,890	13,352,563,527	14,962,102,890	13,352,563,527
MINORITY INTEREST - equity attributable to minority shareholders of subsidiaries					
		58,269,739	61,268,839	-	-
TOTAL SHAREHOLDERS' EQUITY					
		15,020,372,629	13,413,832,366	14,962,102,890	13,352,563,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		27,497,300,004	28,181,059,057	21,090,317,656	21,993,548,922
		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

EARNINGS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Note	Consolidated		The Company Only	
		2005	2004	2005	2004
REVENUES					
Sales and services income		43,765,831,849	48,340,068,713	34,029,416,390	37,716,572,039
Other income					
Interest income		194,670,083	116,005,800	97,952,723	51,813,719
Gain on exchange rate	18	-	147,406,244	608,811,855	-
Gain on disposal of fixed assets		105,556,374	-	-	-
Reversal of provision for obsolete inventories		349,344,360	-	-	-
Others		142,177,657	215,632,076	60,245,617	31,686,281
TOTAL REVENUES		44,557,580,323	48,819,112,833	34,796,426,585	37,800,072,039
EXPENSES					
Cost of sales and services		35,356,132,351	40,801,434,432	27,543,445,189	31,586,069,815
Selling and administrative expenses		6,244,769,889	5,859,739,476	3,906,913,903	3,891,017,582
Loss on disposal of fixed assets		-	111,582,794	33,588,452	2,147,602
Loss on disposal of investments in available-for-sale securities		4,691,173	-	-	-
Directors' remuneration	19	4,410,000	4,511,960	4,410,000	4,511,960
Loss on exchange rate	18	146,313,937	-	-	214,232,587
Amortisation of intangible assets		131,962,483	162,501,147	-	-
Restructuring expenses		125,936,345	437,851,345	-	-
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	23,670,645	1,021,917,534	862,673,789
TOTAL EXPENSES		42,060,597,383	47,401,291,799	32,510,275,078	36,560,653,335
EARNINGS BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX		2,496,982,940	1,417,821,034	2,286,151,507	1,239,418,704
INTEREST EXPENSES		(141,287,769)	(126,438,057)	-	-
CORPORATE INCOME TAX	20	(70,943,782)	(57,426,855)	(1,471,410)	(11,310,162)
EARNINGS AFTER CORPORATE INCOME TAX		2,284,751,389	1,233,956,122	2,284,680,097	1,228,108,542
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARIES		(71,292)	(5,847,580)	-	-
NET EARNINGS FOR THE YEAR		2,284,680,097	1,228,108,542	2,284,680,097	1,228,108,542
EARNINGS PER SHARE					
Basic earnings per share					
Net earnings		1.92	1.03	1.92	1.03
Weighted average number of ordinary shares (shares)					
		1,188,115,769	1,188,102,115	1,188,115,769	1,188,102,115
Diluted earnings per share					
Net earnings	21	1.92	1.03	1.92	1.03
Weighted average number of ordinary shares (shares)					
		1,188,727,036	1,188,116,133	1,188,727,036	1,188,116,133

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 2005 AND 2004

(Unit : Baht)

	CONSOLIDATED							Total
	Issued and paid-up share capital	Premium on share capital	Unrealised loss on investments in available-for-sale securities	Translation adjustments	Retained earnings		Minority interest-equity attributable to minority shareholders of subsidiaries	
					Appropriated	Unappropriated		
Balance as at 31 December 2003	1,188,102,115	1,491,912,500	(21,219,555)	(3,170,331)	120,000,000	10,466,073,883	78,117,491	13,319,816,103
Unrealised loss on investments in available-for-sale securities	-	-	(19,782,313)	-	-	-	-	(19,782,313)
Translation adjustments	-	-	-	(147,071,342)	-	-	-	(147,071,342)
Unrealised items in earnings statement	-	-	(19,782,313)	(147,071,342)	-	-	-	(166,853,655)
Net earnings for the year	-	-	-	-	-	1,228,108,542	-	1,228,108,542
Dividend paid (Note 26)	-	-	-	-	-	(950,481,692)	-	(950,481,692)
Dividend return	-	-	-	-	-	91,720	-	91,720
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	(16,848,652)	(16,848,652)
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 adjustments	-	-	-	247,436,775	-	-	-	247,436,775
Unrealised items in earnings statement	-	-	27,879,408	247,436,775	-	-	-	275,316,183
Net earnings for the year	-	-	-	-	-	2,284,680,097	-	2,284,680,097
Appropriated to legal reserve (Note 16)	-	-	-	-	5,900,000	(5,900,000)	-	-
Dividend paid (Note 26)	-	-	-	-	-	(950,491,571)	-	(950,491,571)
Dividend return	-	-	-	-	-	20,029	-	20,029
Increase share capital (Note 15)	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

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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 2005 AND 2004

(Unit : Baht)

THE COMPANY ONLY

	Issued and paid-up share capital	Premium on share capital	Unrealised loss on investments in		Retained earnings		Total
			available-for-sale securities	Translation adjustments	Appropriated	Unappropriated	
Balance as at 31 December 2003	1,188,102,115	1,491,912,500	(21,219,555)	(3,170,331)	120,000,000	10,466,073,883	13,241,698,612
Unrealised loss on investments in available-for-sale securities	-	-	(19,782,313)	-	-	-	(19,782,313)
Translation adjustments	-	-	-	(147,071,342)	-	-	(147,071,342)
Unrealised items in earnings statement	-	-	(19,782,313)	(147,071,342)	-	-	(166,853,655)
Net earnings for the year	-	-	-	-	-	1,228,108,542	1,228,108,542
Dividend paid (Note 26)	-	-	-	-	-	(950,481,692)	(950,481,692)
Dividend return	-	-	-	-	-	91,720	91,720
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 adjustments	-	-	-	247,436,775	-	-	247,436,775
Unrealised items in earnings statement	-	-	27,879,408	247,436,775	-	-	275,316,183
Net earnings for the year	-	-	-	-	-	2,284,680,097	2,284,680,097
Appropriated to legal reserve (Note 16)	-	-	-	-	5,900,000	(5,900,000)	-
Dividend paid (Note 26)	-	-	-	-	-	(950,491,571)	(950,491,571)
Dividend return	-	-	-	-	-	20,029	20,029
Increase share capital (Note 15)	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

The accompanying notes are an integral part of the financial statements

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash flows from (used in) operating activities :-				
Net earnings	2,284,680,097	1,228,108,542	2,284,680,097	1,228,108,542
Adjustments to reconcile net earnings to net cash from (used in) operating activities :-				
Depreciation and amortisation	1,164,961,136	1,241,784,265	877,682,319	823,043,997
Amortisation in premium/discount of forward contracts	(3,067,905)	-	-	-
Amortisation of goodwill	132,130,818	350,880,862	-	-
Amortisation of other intangible assets	66,146,132	158,646,912	-	-
Allowance for doubtful accounts (reversal)	9,072,672	(27,721,464)	(3,886,192)	(31,142,509)
Provision for obsolete inventories (reversal)	(547,626,195)	133,232,307	(44,583,978)	191,692,911
Accrual of provisions	100,435,144	112,273,986	-	-
Provision for diminution in value of investment in other parties	28,077,454	-	-	-
(Gain) loss from sale of fixed assets	(105,556,374)	111,582,794	33,588,452	2,147,602
(Gain) loss from sale of investments in available-for-sale securities	4,691,173	(213,051)	-	-
Loss from return loan to associated company	-	13,231,732	-	-
Share of loss from investments accounted for under equity method	18,857,937	23,670,645	1,021,917,534	862,673,789
Unrealised (gain) loss on exchange rate	(259,312,427)	90,158,869	(612,777,801)	285,756,893
Minority interest in net earnings of subsidiaries	71,292	5,847,580	-	-
Earnings from operating activities before changes in operating assets and liabilities	2,893,560,954	3,441,483,979	3,556,620,431	3,362,281,225
Decrease (increase) in operating assets :-				
Accounts receivable - trade	2,651,274,950	(1,155,387,525)	2,722,695,971	(1,146,811,255)
Short-term loan to and amounts due from related parties	(53,210,802)	17,526,791	-	17,526,791
Inventories	1,537,384,197	(853,440,187)	271,728,812	(262,283,625)
Input tax refundable	(5,685,501)	223,464,986	(7,825,402)	17,639,043
Advance payments	13,096,471	75,140,563	7,784,592	67,540,573
Other accounts receivable	8,810,101	(38,737,947)	-	-
Other current assets	10,384,630	(66,711,213)	(5,663,728)	(4,368,787)
Other intangible assets	19,083	-	-	-
Other non - current assets	(170,141,894)	(44,835,496)	(292,669)	(35,000)
Increase (decrease) in operating liabilities :-				
Accounts payable - trade	(649,099,265)	(185,347,079)	(867,996,439)	(471,036,973)
Short-term loan from and amounts due to related parties	(134,290,456)	(181,693,301)	(113,568,653)	(194,520,658)
Accrued expenses	42,524,084	131,191,885	200,829,010	3,719,943
Advance receivable	97,828,268	42,032,245	15,048,607	34,317,446
Other accounts payable	(59,559,456)	(111,228,446)	(37,268,377)	(29,262,731)
VAT payable	99,493,954	(1,753,052)	-	-
Other current liabilities	55,233,626	(158,528,679)	(4,837,069)	7,561,187
Provisions	(280,611,262)	(463,879,295)	-	-
Other non-current liabilities	(8,918,435)	1,557,596	-	-
Net cash from operating activities	6,048,093,247	670,855,825	5,737,255,086	1,402,267,179

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

DELTA ELECTRONICS (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash flows from (used in) investing activities :-				
Decrease in fixed deposit	-	198,191,000	-	-
Increase in investments in available-for-sale securities	(63,818,355)	(4,162,369)	-	-
Proceeds from disposal of investments in available-for-sale securities	50,032,136	3,498,243	-	-
Increase in investments in subsidiaries	-	-	-	(595,220,394)
Increase in investments in other parties	-	(40,777,778)	-	-
Proceeds from return fund of investment in other parties	12,649,352	7,286,215	-	-
Proceeds from redemption of investment in unit trusts	-	120,000,000	-	120,000,000
Proceeds from return loan to associated company	-	50,965,458	-	-
Decrease in long-term loan to related parties	-	1,704,961	-	-
Acquisition of fixed assets	(617,157,039)	(1,121,066,096)	(481,456,535)	(892,756,734)
Proceeds from sales of fixed assets	323,306,727	1,447,622	34,848,154	1,447,622
Net cash used in investing activities	(294,987,179)	(782,912,744)	(446,608,381)	(1,366,529,506)
Cash flows from (used in) financing activities :-				
Increase in bank overdrafts and short-term loan from financial institutions	61,947,120	153,470,674	-	-
Decrease in long-term loan from related party	-	-	(1,663,282,064)	(55,803,976)
Decrease in long-term loan from financial institutions	(1,766,379,800)	(586,629,000)	-	-
Dividend paid	(950,491,571)	(950,481,692)	(950,491,571)	(950,481,692)
Returned dividend	20,029	91,720	20,029	91,720
Cash received from increase share capital	14,625	-	14,625	-
Net cash used in financing activities	(2,654,889,597)	(1,383,548,298)	(2,613,738,981)	(1,006,193,948)
Decrease in translation adjustments	(492,945)	(191,322,360)	-	-
Net increase (decrease) in cash and cash equivalent	3,097,723,526	(1,686,927,577)	2,676,907,724	(970,456,275)
Cash and cash equivalents - beginning of year	3,833,527,262	5,437,360,125	2,417,913,321	3,305,274,882
Cash and cash equivalents - end of year (Note 25)	6,931,250,788	3,750,432,548	5,094,821,045	2,334,818,607
Supplemental cash flows information				
Cash paid during the year for :				
Interest	162,535,319	107,962,297	-	-
Income tax	4,659,809	125,150,986	1,493,310	11,538,135

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

1. GENERAL INFORMATION

Delta Electronics (Thailand) Public Company Limited was incorporated as a limited company under Thai laws. Its major shareholder is Deltron Holding Limited., a company existing under United Kingdom laws. The Company registered the change of its status to a public company under the Public Limited Company Act on 23 September 1994. The Company operates in Thailand and its principal activity is manufacture and export of electronic components. Its registered address is 714 Moo 4, Tambon Prakasa, Amphur Muangsamutprakarn, Samutprakarn.

These financial statements were authorised for issue by the Authorised Directors on 9 February 2006.

2. BASIS OF CONSOLIDATION

2.1 The consolidated financial statements incorporate the financial statements for the years ended 31 December 2005 and 2004 of Delta Electronics (Thailand) Public Company Limited (hereinafter referred to as “the Company”) and its subsidiaries as follows :-

	Percentage directly and indirectly owned by the Company		Incorporated In	Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
	2005	2004			2005	2004	2005	2004
	DET International Holding Limited	100			100	Cayman Island	Holding business	11.42
Delta Energy Systems (Switzerland) AG	100	100	Switzerland	Trading, research and developments for electronic products	6.57	5.54	2.04	1.32
<u>The subsidiary companies owned by DET International Holding Limited</u>								
Newton Power Limited	100	100	Hong Kong	Marketing research and development for electronic products	0.25	0.15	0.18	-
DET Logistics (USA) Corporation	100	100	USA	Trading of electronic products	7.32	12.01	21.03	15.38
DET Video Technology Limited	100	-	British virgin Island	Trading of electronic products	1.00	-	-	-
<u>The subsidiary companies owned by Delta Energy Systems (Switzerland) AG</u>								
Delta Energy Systems (Romania) S.R.L.	100	100	Romania	Research and development for electronic products	0.01	0.02	-	-
Delta Energy Systems (Czech republic) spol.s.r.o.	100	100	Czech Republic	Trading of electronic products	-	-	0.27	0.32
Delta Energy Systems (Bratislava) spol.s.r.o.	-	-	Slovak Republic	Trading of electronic products	-	-	-	0.09

	Percentage directly and indirectly owned by the Company		Incorporated In	Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
	2005	2004			2005	2004	2005	2004
	The subsidiary companies owned by Delta Energy Systems (Switzerland) AG							
Delta Energy Systems (Slovakia) s.r.o.	100	100	Slovak Republic	Manufacturing to electronic products	2.89	4.25	0.15	0.13
Delta Energy Systems (Germany) GmbH.	100	100	Germany	Trading of electronic products	3.50	4.57	9.62	9.97
Delta Energy Systems (Spain) S.L.	100	100	Spain	Trading of electronic products	0.29	0.24	0.38	0.23
Delta Energy Systems (France) S.A.	100	100	France	Trading of electronic products	1.12	0.51	0.94	0.59
Delta Energy Systems (Italy) s.r.l.	100	100	Italy	Trading of electronic products	1.35	1.48	1.29	1.11
Delta Energy Systems (Sweden) AB.	100	100	Sweden	Trading of electronic products	0.32	0.50	0.58	0.72
Delta Energy Systems (Finland) Oy.	100	100	Finland	Trading of electronic products	0.62	0.38	1.38	1.22
Delta Energy Systems (Brazil) S.A.	100	100	Brazil	Trading of electronic products	0.51	0.17	1.24	1.11
Delta Systems Energia (Curitiba) Ltda. (owned by Delta Energy Systems (Brazil) S.A.)	100	100	Brazil	Engineering	-	-	-	-
Delta Energy Systems (Hong Kong) Ltd.	100	100	China	Trading of electronic products	0.16	0.46	-	-
Delta Energy Systems (Malaysia) Sdn Bhd.	100	100	Malaysia	Trading of electronic products	-	-	-	-
Delta Energy Systems (India) Private Ltd.	100	100	India	Trading of electronic products	2.34	2.22	2.49	1.56
Delta Energy Systems (Guangzhou) Ltd.	51	51	China	Trading of electronic products	0.19	0.13	-	0.62
Delta Energy Systems (USA) Inc.	100	100	USA	Trading of electronic products	-	-	-	3.66
Delta Energy Systems (Arizona) Inc.	100	100	USA	Research and development for electronic products	0.01	-	0.11	-
Delta Electronics Europe Ltd.	100	100	Scotland	Trading of electronic products	1.22	1.03	1.12	0.88
Delta Energy Systems (Poland) Sp z o o.	100	100	Poland	Trading of electronic products	0.08	0.02	0.09	-
Delta Energy Systems LLC.	100	100	Russia	Trading of electronic products	0.01	-	-	-

2.2 The assets, liabilities and results of operations of the subsidiaries are included in the consolidated financial statements from the date of acquisition to the date of disposition.

2.3 Outstanding balances between the Company and the subsidiaries, significant intercompany transactions, investments in subsidiaries in the Company's records and share capital of subsidiaries have been eliminated from the consolidated financial statements.

2.4 The excess of cost of investments over the net assets of the subsidiaries on the acquisition date is shown as "Consolidation goodwill" in the consolidated balance sheet and is amortised on the straight-line method over the period of 20 years.

- 2.5 Financial statements of the subsidiaries and associated companies denominated in foreign currency have been translated into Baht at the exchange rates ruling on the balance sheet date or where appropriate, the average rate. The differences arising from such translation have been shown separately under the caption of “Translation adjustments” in the shareholders’ equity.
- 2.6 At a meeting of the Board of Director of a subsidiary company held on 21 September 2005, it was resolved that the subsidiary would set up a new company, DET Video Technology Limited, to be incorporated in the British Virgin Islands with a registered capital of USD 100,000. It is to be wholly owned by the subsidiary. During October 2005, the subsidiary company made full payment of the new company’s share capital.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below:-

3.1 Recognition of revenue

Sales are the invoiced value of goods supplied after deducting discounts and allowances, and excluding value added tax. Sales of goods are recognised when products are delivered and title passes to customers.

Service income is recognised by reference to the stage of completion, and excluding value added tax.

3.2 Accounts receivable - trade and allowance for doubtful accounts

Accounts receivable - trade are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated collection 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.

3.3 Inventories

Inventories are valued at the lower of cost (average method) and net realisable value, with cost being the standard cost, which approximates the actual cost incurred.

Cost of work in process and finished goods includes direct material, labour costs and factory overheads.

3.4 Property, plant and equipment/depreciation

Plant and equipment are stated at cost less accumulated depreciation. Depreciation of plant and equipment is calculated by reference to their costs on the straight-line method over the estimated useful lives as follows :-

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
Vehicle	5	years

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

3.5 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.

3.6 Investments

Current investments in marketable equity securities, which the Company intends to hold as investments available for sale are determined at fair value. Fair value is based on the latest bid price of the last working day quoted by the Stock Exchange. Changes in value of investments are shown as a separate item under the shareholders' equity in the balance sheet and is credited or charged against earnings when the investments have been disposed of.

Investments in subsidiaries (in the financial statements of the Company only) and associated companies are accounted for by the equity accounting method. The investments are initially carried at their acquisition cost. The investments are also adjusted to incorporate the Company's proportionate share of the operating results of the subsidiaries and associated companies after acquisition.

Investments in the ordinary and preference shares of other companies are valued at cost. Allowance for impairment of securities may be set up after taking into consideration the net book value and other factors.

For investments in ordinary and preference shares in other companies, the Company recognises loss on impairment of securities (if any) in the earnings statement.

3.7 Foreign currencies

Foreign currency transactions incurred during the year 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, with the exception of those covered by forward exchange contracts, which are translated at the contracted exchange rates.

Exchange gains and losses are included in determining earnings.

3.8 Financial derivative instruments

The Company and its subsidiary have occasionally entered into forward exchange contracts to reduce their exposure from exchange rate risk. Premiums or discounts (the difference between the spot exchange rate and the forward exchange rate at inception of the contracts) are deferred and amortised as revenues or expenses to the earnings statements over the contract lives using the straight-line method.

3.9 Earnings per share

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

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares in issue and paid up during the year and the weighted average number of ordinary shares issuable to convert all dilutive potential ordinary shares (warrants) 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.

3.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, affecting amounts reported in the accompanying financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

3.11 Deferred income tax

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date, temporary differences in reporting income and expenses for financial reporting purposes compared to income tax reporting purposes. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes, is set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or when the expenses provided for are actually incurred and considered deductible for income tax purposes. However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

3.12 Provision

Provision are recognised when the Company and its subsidiaries have a present obligation (legal or constructive) 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.

3.13 Pension plan

Delta Energy Systems (Switzerland) AG and its subsidiaries in Germany, India, Italy 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).

4. 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 127 million as at 31 December 2005. Most of this amount is in two accounts with foreign banks (31 December 2004 : approximately USD 59 million, most of balance is in 4 overseas banks and 1 local bank).

5. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

(Unit: Baht)

	31 December 2005		31 December 2004	
	Cost/		Cost/	
	Book value	Fair value	Book value	Fair value
Available-for-sale securities				
a) Cyntec Company Limited	48,009,064	45,130,885	81,759,622	44,572,082
b) Loyalty Founder Enterprise Company Limited	60,060,509	49,816,228	17,173,634	13,359,306
Total	108,069,573	94,947,113	98,933,256	57,931,388
Unrealised loss on investments in available-for-sale securities	(13,122,460)		(41,001,868)	
Translation adjustments	(3,673,349)		(4,684,796)	
Net investments in available-for-sale securities	91,273,764		53,246,592	

6. ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balances as at 31 December 2005 and 2004 is as follows :-

	Consolidated		The Company Only	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
(Unit : Baht)				
<u>Accounts receivable - trade, related parties</u>				
Current	556,744,809	428,925,079	2,548,445,303	3,359,353,354
Past due 1 - 3 months	83,057,337	56,063,059	395,145,835	210,242,643
Past due 3 - 6 months	3,577,075	738,586	230,446	442,744
Past due 6 - 12 months	8,947	2,438,514	-	39,289
Total	<u>643,388,168</u>	<u>488,165,238</u>	<u>2,943,821,584</u>	<u>3,570,078,030</u>
<u>Accounts receivable - trade, unrelated parties</u>				
Current	6,993,799,066	8,690,050,314	4,094,156,827	5,259,732,345
Past due 1 - 3 months	685,778,340	1,414,529,711	510,755,728	1,128,310,318
Past due 3 - 6 months	73,034,378	83,708,895	39,719,527	32,659,316
Past due 6 - 12 months	25,122,592	16,752,898	19,738,368	-
Past due over 12 months	258,924,215	284,656,325	249,764,703	236,414,371
Total	<u>8,036,658,591</u>	<u>10,489,698,143</u>	<u>4,914,135,153</u>	<u>6,657,116,350</u>
Total Accounts receivable - Trade	8,680,046,759	10,977,863,381	7,857,956,737	10,227,194,380
Less : Allowance for doubtful accounts	<u>(363,059,219)</u>	<u>(353,986,547)</u>	<u>(261,695,236)</u>	<u>(265,581,428)</u>
Accounts receivable - trade, net	<u>8,316,987,540</u>	<u>10,623,876,834</u>	<u>7,596,261,501</u>	<u>9,961,612,952</u>

7. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Finished goods	1,395,361,712	1,918,504,524	542,353,187	219,316,310
Work in process	659,519,105	753,269,118	369,207,677	452,120,567
Raw materials	2,094,604,138	3,126,122,914	1,028,356,686	1,528,625,899
Goods in transit	1,139,081,178	1,028,053,774	199,583,792	211,167,378
Total	5,288,566,133	6,825,950,330	2,139,501,342	2,411,230,154
Less : Allowance for obsolete inventories	(1,044,195,829)	(1,591,822,024)	(247,934,297)	(292,518,275)
Inventories - net	4,244,370,304	5,234,128,306	1,891,567,045	2,118,711,879

The Company's management believes that allowance for obsolete inventories set aside is adequate in the present situation.

8. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

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

	Foreign currency	Issued and paid up capital		Percentage owned by the Company		Balances as at 31 December			
		2005	2004	2005	2004	Consolidated		The Company Only	
				%	%	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Subsidiary companies									
DET International Holding Limited									
- Cost	USD	53,852,576	53,852,576	100	100	-	-	2,133,050,147	2,133,050,147
- Share of profit (loss) (accumulated to 31 December)								(769,434,140)	85,762,642
								1,363,616,007	2,218,812,789
Delta Energy Systems (Switzerland) AG									
- Cost	CHF	20,000,000	20,000,000	100	100	-	-	2,576,143,928	2,576,143,928
- Share of loss (accumulated to 31 December)								(1,204,888,556)	(1,038,167,804)
								1,371,255,372	1,537,976,124
Total investments in subsidiary companies								2,734,871,379	3,756,788,913
Associated companies									
(owned by DET International Holding Limited)									
Huada Holding Company Limited									
- Cost	USD	16,000,000	16,000,000	45	45	266,009,850	266,009,850	-	-
- Share of loss (accumulated to 31 December)						(177,850,845)	(147,571,235)		
						88,159,005	118,438,615		
Delta Green (Tianjin) Industries Company Limited									
- Cost	USD	20,000,000	20,000,000	50	50	394,383,470	394,383,470	-	-
- Share of profit (accumulated to 31 December)						36,359,631	24,935,653		
						430,743,101	419,319,123		
Unrealised loss on available-for-sale securities of a subsidiary						-	-	(13,122,460)	(41,001,868)
Translation adjustments						28,154,379	1,378,714	97,195,102	(150,241,673)
Total investments in associated companies						547,056,485	539,136,452		
Total investments accounted for under equity method						547,056,485	539,136,452	2,818,944,021	3,565,545,372

9. INVESTMENTS IN OTHER PARTIES

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

(Unit : Baht)

	The Company's interest		Balance as at 31 December	
	in equity capital		Consolidated	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	%	%		
IP Fund One, L.P. (owned by DET International Holding Limited)	3.84	3.84	352,964,104	365,613,456
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			403,546,107	416,195,459
Less : Provision for diminution in value of investment in other parties			(135,027,026)	(106,949,572)
Translation adjustments			(11,196,645)	(25,081,025)
Investments in other parties - net			257,322,436	284,164,862

10. PROPERTY, PLANT AND EQUIPMENT - NET

(Unit : Baht)

	CONSOLIDATED								Total
	As at 31 December 2005								
	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	
Cost :									
1 January 2005	324,769,775	1,286,115,518	5,513,722,316	927,621,258	991,600,250	10,382,397	1,214,799,200	422,765,807	10,691,776,521
Purchase/transfer in	-	10,619,199	417,504,534	127,984,513	36,310,982	31,131,091	211,654,252	606,440,489	1,441,645,060
Disposal/write-off/transfer out	(11,118,153)	(55,336,106)	(480,345,794)	(174,980,148)	(69,541,452)	(37,879,369)	(505,320,296)	(625,946,925)	(1,960,468,243)
31 December 2005	313,651,622	1,241,398,611	5,450,881,056	880,625,623	958,369,780	3,634,119	921,133,156	403,259,371	10,172,953,338
Accumulated depreciation :									
1 January 2005	-	193,599,975	3,473,220,850	781,763,660	438,283,950	-	872,482,692	325,477,663	6,084,828,790
Depreciation for the year	-	31,675,444	725,373,534	134,773,068	91,611,846	-	154,854,221	26,673,023	1,164,961,136
Depreciation - disposal/write-off	-	(8,604,315)	(391,160,092)	(164,346,624)	(41,561,337)	-	(293,833,887)	(23,450,293)	(922,956,548)
31 December 2005	-	216,671,104	3,807,434,292	752,190,104	488,334,459	-	733,503,026	328,700,393	6,326,833,378
Translation adjustments	(293,560)	(2,064,956)	(14,472,090)	-	(12,688,282)	(533,691)	(20,026,748)	(996,134)	(51,075,461)
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 2004	324,769,775	1,092,515,543	2,040,501,466	145,857,598	553,316,300	10,382,397	342,316,508	97,288,144	4,606,947,731
Depreciation charge (included in earnings statement) :									
Year 2005									1,164,961,136
Year 2004									1,241,784,265

Depreciation for the year amounting to Baht 906,557,652 (2004 : Baht 924,104,782) has been charged to cost of production and the remaining part of Baht 258,403,484 (2004 : Baht 317,679,483) has been charged to selling and administrative expenses.

(Unit : Baht)

THE COMPANY ONLY									
As at 31 December 2005									
	Land	Building	Machinery and equipment	Mold	Installation	Construction in progress	Computer	Others	Total
Cost :									
1 January 2005	312,646,818	1,202,130,622	3,819,322,575	927,621,258	836,654,564	780,601	227,677,645	118,662,838	7,445,496,921
Purchase/transfer in	-	4,979,429	272,195,335	127,984,513	13,188,750	14,037,066	65,707,958	596,429,231	1,094,522,282
Disposal/write-off/transfer out	-	(1,484,002)	(224,031,107)	(174,980,148)	(66,782,099)	(13,697,404)	(23,134,064)	(601,828,003)	(1,105,936,827)
31 December 2005	<u>312,646,818</u>	<u>1,205,626,049</u>	<u>3,867,486,803</u>	<u>880,625,623</u>	<u>783,061,215</u>	<u>1,120,263</u>	<u>270,251,539</u>	<u>113,264,066</u>	<u>7,434,082,376</u>
Accumulated depreciation :									
1 January 2005	-	177,584,131	2,059,493,015	781,763,660	343,887,701	-	155,582,056	66,443,230	3,584,753,793
Depreciation for the year	-	27,681,500	581,335,721	134,773,068	71,996,905	-	52,296,924	9,598,201	877,682,319
Depreciation - disposal/write-off	-	(58,194)	(197,825,895)	(164,346,624)	(39,077,617)	-	(20,795,576)	(2,330,568)	(424,434,474)
31 December 2005	<u>-</u>	<u>205,207,437</u>	<u>2,443,002,841</u>	<u>752,190,104</u>	<u>376,806,989</u>	<u>-</u>	<u>187,083,404</u>	<u>73,710,863</u>	<u>4,038,001,638</u>
Net book value :									
As at 31 December 2005	<u>312,646,818</u>	<u>1,000,418,612</u>	<u>1,424,483,962</u>	<u>128,435,519</u>	<u>406,254,226</u>	<u>1,120,263</u>	<u>83,168,135</u>	<u>39,553,203</u>	<u>3,396,080,738</u>
As at 31 December 2004	<u>312,646,818</u>	<u>1,024,546,491</u>	<u>1,759,829,560</u>	<u>145,857,598</u>	<u>492,766,863</u>	<u>780,601</u>	<u>72,095,589</u>	<u>52,219,608</u>	<u>3,860,743,128</u>
Depreciation charge (included in earnings statement) :									
Year 2005									<u>877,682,319</u>
Year 2004									<u>823,043,997</u>

Depreciation for the year amounting to Baht 752,012,397 (2004 : Baht 707,644,583) has been charged to cost of production and the remaining part of Baht 125,669,922 (2004 : Baht 115,399,414) has been charged to selling and administrative expenses.

11. ACCRUED EXPENSES

The balance mainly represented expenses and provisions related to employee costs and product sales of the Company and its subsidiaries, amounting to approximately Baht 625 million and Baht 495 million, respectively (the Company only : Baht 136 million and Baht 562 million, respectively). The management of the Company and its subsidiaries believes that actual expenditures will be close to the amount estimated and accrued in the Company's records.

12. FORWARD CONTRACTS

A subsidiary of the Company have entered into forward exchange contracts with overseas financial institutions. The outstanding balances under the contracts as at 31 December 2005 and 2004 are as follows :-

	Amount	
	(Unit : Million unit of currency)	
	<u>2005</u>	<u>2004</u>
Forward Contracts to "Sell"		
USD/THB	85	-

The subsidiary has recorded the foreign currency assets and liabilities arising from its entering into these contracts in the balance sheets, under the captions of "Forward contracts - receivable/payable".

13. LONG-TERM LOAN FROM FINANCIAL INSTITUTIONS

As at 31 December 2005, a subsidiary of the Company had a dollar loan from local and overseas banks amounting to approximately USD 52 million which is guaranteed by the Company. (31 December 2004 : USD 95 million).

The loan is repayable in four equal semi-annual installments beginning in February 2007, and matures in August 2008. It is subject to interest at a rate referenced to LIBOR.

Under the loan agreement the Company and the subsidiary must comply with normal financial covenants relating to various matters, such as the maintenance of certain ratios for consolidated total net liabilities to consolidated tangible net worth and interest bearing debt to consolidated EBITDA.

14. PROVISIONS

The outstanding balances as at 31 December 2005 and 2004 is as follows :-

	(Unit : Million Baht)	
	Consolidated	
	<u>2005</u>	<u>2004</u>
Pension	935	1,020
Restructuring costs	465	688
Warranty	184	185
Other provisions	152	209
	<u>1,736</u>	<u>2,102</u>

15. SHARE CAPITAL/WARRANTS

1. During the second quarter of 2000, the Company issued 4,032,000 warrants for offer to directors and employees of the Company. The warrants can be exercised subscribe to the new ordinary shares in a ratio of 1 warrant per 1 ordinary share, at an exercise price of Baht 10 each. The warrants are a one-time issue and their life is 5 years, with the exercise period running from 2 October 2000. They were listed on the Stock Exchange of Thailand on 6 July 2000.

The Meeting of the Board of Directors of the Company held on 23 February 2005 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 12.64553 ordinary shares at a price of Baht 1 per share, effective from 10 March 2005.

During January 2005, 1,000 warrants were exercised to purchase 12,349 new ordinary shares, the Company registered this capital increase with the Ministry of Commerce on 12 January 2005 and during April 2005, 180 warrants were exercised to purchase 2,276 new ordinary shares, the Company registered this capital increase with the Ministry of Commerce on 7 April 2005.

The final date for the exercise of the Company's warrants was 30 June 2005, after which the remaining warrants can no longer be exercised.

2. 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.

16. STATUTORY RESERVE

Under the Public Limited Company Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit, after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of its registered share capital. The statutory reserve could not use for dividend payment.

17. EMPLOYEES AND RELATED COSTS

	Consolidated		The Company Only	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Number of employees at the end of year (persons)	13,655	16,329	12,509	15,180
Employee costs for the year (Million Baht)	4,565	5,195	1,953	2,071

18. GAIN (LOSS) ON EXCHANGE RATE

(Unit : Baht)

	For the year ended 31 December			
	Consolidated		The Company Only	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Realised gain (loss) on exchange rate	(405,626,364)	237,565,113	(3,965,946)	71,524,306
Unrealised gain (loss) on exchange rate	259,312,427	(90,158,869)	612,777,801	(285,756,893)
Gain (loss) on exchange rate	<u>(146,313,937)</u>	<u>147,406,244</u>	<u>608,811,855</u>	<u>(214,232,587)</u>

19. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company directors in accordance with Section 90 of the Public Limited Company Act exclusive of salaries and related benefits payable to executive directors.

20. CORPORATE INCOME TAX

Corporate income tax for the year was calculated based on the pre-tax earnings from the non-tax-exempted activities, after adding back expenses which are disallowed for tax computation purposes.

21. RECONCILIATION OF DILUTED EARNINGS PER SHARE

(Unit : Baht)

	For the year ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Basic earnings per share						
Net earnings	2,284,680,097	1,228,108,542	1,188,115,769	1,188,102,115	1.92	1.03
Effect of dilutive potential ordinary shares						
Warrants 59,000,000 units (2004 : 1,188 units)	-	-	611,267	14,018	-	-
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of dilutive potential ordinary shares	<u>2,284,680,097</u>	<u>1,228,108,542</u>	<u>1,188,727,036</u>	<u>1,188,116,133</u>	<u>1.92</u>	<u>1.03</u>

22. PROMOTIONAL PRIVILEGES

The Company was granted the following tax privileges for certain specified category of products under the Investment Promotion Act B.E. 2520 by the Board of Investment :-

- 22.1 Exemption of corporate income tax on profit for the periods of 3 to 8 years commencing as from the date of earning operating income.
- 22.2 Dividends derived from a promoted activity granted an exemption of juristic person income tax shall be exempted from computation of taxable income throughout the period the promoted person receives the exemption of juristic person income tax.
- 22.3 Exemption of import duties on the raw and essential materials imported during the promotional period for use specifically in producing for export.
- 22.4 Exemption of import duties on items which the promoted person imports for re-export during the promotional period.
- 22.5 Exemption of import duties on machinery and equipment as approved by the Board or during the promotional period.

The Company's operating revenues are divided according to promoted and non-promoted activities, as shown below :-

	(Unit : Baht)					
	Promoted		Non-promoted		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>THE COMPANY ONLY</u>						
Sales	34,027,111,432	37,597,429,490	184,974,002	259,501,138	34,212,085,434	37,856,930,628

Sales of raw materials are included in revenues from non-promoted activities.

23. RELATED PARTY TRANSACTIONS

During the year, the Company and its subsidiaries had business transactions with its overseas subsidiaries and related parties (related by way of common shareholders and/or common directors) in respect of raw materials and production equipment purchases, sales of manufactured finished goods, commission and inspection fee. The transactions, which were concluded on the terms and basis as specified in the agreements between the Company and those companies and in the ordinary course of business, are summarized as follows :-

	Pricing policies	(Unit : Baht)			
		Consolidated		The Company Only	
		<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Sales of goods	With reference to market prices	-	-	9,335,875,390	8,174,935,600
Sales of raw materials	With reference to market prices	-	-	30,183,152	54,946,773
Purchase of raw materials	With reference to market prices	-	-	98,227,782	326,164,051
Commission paid	Contract prices	-	-	510,521,081	238,717,741
Inspection paid	Contract prices	-	-	52,512,388	115,717,810
Borrowing (Average balance of loans outstanding during year)	No interest charge	-	-	1,178,137,236	1,763,961,885
<u>Transactions with related parties</u>					
Sales of goods	With reference to market prices	1,790,489,640	1,700,194,706	1,731,451,446	1,650,096,798
Sales of raw materials	With reference to market prices	36,296,681	28,055,033	36,296,681	28,055,033
Purchase of raw materials	With reference to market prices	375,007,069	208,662,276	375,007,069	208,662,276
Purchase of fixed assets	With reference to market prices	5,409,545	3,937,652	5,409,545	3,937,652
Commission paid	Contract prices	953,424,641	1,163,834,528	953,424,641	1,163,834,528
Commission received	Contract prices	95,637,838	99,597,307	-	-
Inspection received	Contract prices	133,680,018	-	-	-
Lending (Average balance of loans outstanding during year)	Interest at a rate reference to LIBOR	-	15,652,995	-	-
Borrowing (Average balance of loans outstanding during year)	Interest at a rate reference to LIBOR+1%	47,858,025	-	-	-
Interest income	Per loan agreement	-	242,018	-	-
Interest paid	Per loan agreements	2,018,335	-	-	-

The outstanding balances of the above transactions have been separately shown in the balance sheets and are as follows :-

		(Unit : Baht)			
		Consolidated		The Company Only	
	Relationship	2005	2004	2005	2004
<u>Accounts receivable - trade, related parties</u>					
<u>Subsidiary companies</u>					
DET Logistics (USA) Corporation	Subsidiary Company	-	-	2,044,128,543	3,038,387,162
DET International Holding Ltd.	Subsidiary Company	-	-	2,316,066	2,131,033
Delta Energy Systems (Switzerland) AG	Subsidiary Company	-	-	87,770,889	35,598,148
Delta Energy Systems (Germany) GmbH.	Subsidiary Company	-	-	105,788,786	37,445,557
Delta Energy Systems (India) Private Ltd.	Subsidiary Company	-	-	33,175,309	3,315,163
Delta Energy Systems (Brazil) S.A.	Subsidiary Company	-	-	6,225,174	6,048,443
Delta Energy Systems (Slovakia) s.r.o.	Subsidiary Company	-	-	2,471,736	-
Delta Electronics Europe Ltd.	Subsidiary Company	-	-	11,919,940	6,808,522
DET Video Technology Limited	Subsidiary Company	-	-	88,219,350	-
Others		-	-	62,998	793,840
		-	-	2,382,078,791	3,130,527,868
<u>Other related parties</u>					
Delta Electronics Inc.	Shareholder	40,456,357	152,979,381	10,733,124	141,884,959
Delta Electronics (Japan) Ltd.	Common shareholder	19,209,882	57,098,637	19,209,882	57,098,637
Delta Products Corporation Ltd.	Common shareholder	164,064,630	130,234,744	161,854,752	129,377,253
Delta Electronics International Ltd.	Common shareholder	52,762,836	58,188,061	36,550,924	58,188,061
Delta Video Technology Ltd.	Common shareholder	235,535,231	-	235,535,231	-
Delta Network International Ltd.	Common shareholder	22,207,041	23,689,464	22,207,041	23,689,464
Delta Network Inc.	Common shareholder	1,079,099	2,040,192	1,079,099	2,040,192
Delta Electronics (Jiangsu) Limited	Common shareholder	21,514,146	10,822,290	9,279,920	3,289,703
Addtron Technology (Japan) Limited	Common shareholder	63,398,383	15,084,643	63,398,383	15,084,643
Deltronics (Netherland) BV	Common shareholder	8,711,012	23,132,927	-	-
Delta Electronics Component (Wujiang) Ltd.	Common shareholder	1,011,205	5,762,042	1,011,205	5,762,042
Delta Electronics (Hong Kong) Ltd.	Common shareholder	12,505,072	5,997,656	-	-
Others		933,274	3,135,201	883,232	3,135,208
		643,388,168	488,165,238	561,742,793	439,550,162
Total accounts receivable - trade, related parties		643,388,168	488,165,238	2,943,821,584	3,570,078,030
<u>Short-term loan to and amounts due from related parties</u>					
Deltronics (Netherland) BV	Common shareholder	50,283,624	-	-	-
Delta Electronics (Hong Kong) Ltd.	Common shareholder	2,645,234	-	-	-
Others		281,944	-	-	-
Total short-term loan to and amounts due from related parties		53,210,802	-	-	-
<u>Accounts payable - trade, related parties</u>					
<u>Subsidiary companies</u>					
Delta Energy Systems (Germany) GmbH.	Subsidiary company	-	-	18,300,267	10,211,065
Delta Energy Systems (USA) Inc.	Subsidiary company	-	-	-	7,342,862
Delta Energy Systems (Switzerland) AG	Subsidiary company	-	-	555,939	55,156,256
Delta Energy Systems (Slovakia) s.r.o.	Subsidiary company	-	-	6,807,958	206,271
Delta Energy Systems (Arizona) Inc.	Subsidiary company	-	-	1,029,365	-
Others		-	-	323,100	714,680
		-	-	27,016,629	73,631,134

(Unit : Baht)

	Relationship	Consolidated		The Company Only	
		2005	2004	2005	2004
<u>Other related parties</u>					
Delta Electronics Inc.	Shareholder	330,957,674	448,503,872	88,917,560	65,958,277
Delta Electronics (Japan) Ltd.	Common shareholder	6,864,462	5,086,709	6,864,462	5,086,709
Delta Products Corporation Ltd.	Common shareholder	15,295,640	5,867,733	15,077,380	4,986,429
Addtron Technology (Japan) Limited	Common shareholder	2,470,476	-	2,470,476	-
Delta Video Technology Ltd.	Common shareholder	8,219,224	-	-	-
Others		14,036,809	5,768,211	3,468,216	1,664,384
		<u>377,844,285</u>	<u>465,226,525</u>	<u>116,798,094</u>	<u>77,695,799</u>
Total accounts payable - trade, related parties		<u>377,844,285</u>	<u>465,226,525</u>	<u>143,814,723</u>	<u>151,326,933</u>
<u>Short-term loan from and amounts due to related parties</u>					
<u>Subsidiary companies</u>					
Newton Power Limited	Subsidiary Company	-	-	-	15,931,896
DET Logistics (USA) Corporation	Subsidiary Company	-	-	15,922,753	11,129,602
Delta Energy Systems (Switzerland) AG	Subsidiary Company	-	-	-	36,458,828
Delta Energy Systems (Germany) GmbH.	Subsidiary Company	-	-	20,787,892	38,414
Delta Energy Systems (Arizona) Inc.	Subsidiary Company	-	-	7,411,428	-
Delta Electronics Europe Ltd.	Subsidiary Company	-	-	7,785,540	-
Others		-	-	185	847,370
		<u>-</u>	<u>-</u>	<u>51,907,798</u>	<u>64,406,110</u>
<u>Other related parties</u>					
Delta Electronics Inc.	Shareholder	536,994	173,375,085	536,994	173,375,085
Delta Electronics Scotland	Common shareholder	31,153,033	64,373,148	-	-
Delta Products Corporation Ltd.	Common shareholder	74,989,922	3,962,799	74,989,922	3,962,799
Others		1,233,564	469,451	1,233,564	469,451
		<u>107,913,513</u>	<u>242,180,483</u>	<u>76,760,480</u>	<u>177,807,335</u>
Total short-term loan from and amounts due to related parties		<u>107,913,513</u>	<u>242,180,483</u>	<u>128,668,278</u>	<u>242,213,445</u>
<u>Long-term loan from related party</u>					
DET International Holding Ltd.	Subsidiary Company	-	-	-	1,848,741,408
Total long-term loan from related party		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,848,741,408</u>

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, after-sales services, technical information services, and raw material purchasing, and also sell the Company's products. The agreements are not for an identified period and are cancellable. 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 maximum rate not over than 3 percent of the purchasing price for the raw material purchasing services.

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 13 to the financial statements.

24. COMMITMENT AND CONTINGENT LIABILITIES

24.1 Financial derivatives

1) Sell "Special-condition option" agreement

A subsidiary of the Company has entered into sell "Special - condition option" agreements approximately USD 120 million against Baht (31 December 2004 : sell "put special - condition option" agreements approximately USD 62 million against CHF)

As at 31 December 2005 the subsidiary has not estimated its contingent losses under the "Special-condition option" agreements since it is unable to make an estimate of such losses. However, in January 2006, the "Special-condition option" agreements were terminated by virtue of the fulfillment of the conditions of termination stipulated in the agreements.

2) Interest Rate Swap Transaction agreements

A subsidiary of the Company has entered into the following interest rate swap transaction agreements with overseas financial institutions:

1. Under an agreement to swap interest on a principal balance of USD 50 million, maturing in December 2006. Every 3 months, the subsidiary is required to pay interest to the financial institution at a rate referenced to 3-month LIBOR plus 1 percent per annum. The financial institution is in turn required to pay interest to the subsidiary at a rate referenced to in-arrear 3-month LIBOR plus 1 percent per annum, pro-rate for the number of days on which the daily interest rate lies within a range stipulated in the agreement.
2. 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.

24.2 Commitments and contingent liabilities

- As at 31 December 2005, the Company and its subsidiaries had capital commitments amounting to Baht 99 million for the purchase of machinery and equipments (31 December 2004: Baht 230 million) and had operating lease commitments amounting to CHF 10 million for equipments (31 December 2004 : CHF 5.7 million).
- In present, an overseas subsidiary of the Company is 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 CHF 1.5 million. The Company's management believes that losses will not materiality differ from the recorded amount.

24.3 Letter of guarantees

As at 31 December 2005, there were significant outstanding bank guarantees of approximately Baht 30 million and INR 83 million (31 December 2004 : Baht 37 million) issued by the banks on behalf of the Company and an overseas subsidiary as required in the ordinary course of business of the Company and the overseas subsidiaries and there were outstanding letter of guarantees of approximately SKK 30 million and USD 10 million (31 December 2004 : SKK 30 million) issued by the Company for an overseas subsidiary as required in the ordinary course of business.

24.4 Assets/Liabilities-foreign currency not hedged against foreign exchange risk

Significant foreign currency assets and liabilities of the Company and its subsidiaries which were unhedged as at 31 December 2005, most of which are current balances, are summarised below :-

	<u>Amount</u>
Assets	
Assets denominated in US Dollar	USD 189 million
Assets denominated in YEN	YEN 238 million
Assets denominated in New Taiwan Dollar	NTD 110 million
Assets denominated in EURO	EUR 5 million
Liabilities	
Liabilities denominated in US Dollar	USD 83 million
Liabilities denominated in YEN	YEN 167 million
Liabilities denominated in EURO	EUR 1 million

25. CASH FLOWS STATEMENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash in hand and at banks with an original maturity of 3 months or less and without commitment.

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

(Unit : Baht)

	Consolidated		The Company Only	
	2005	2004	2005	2004
Cash and cash equivalents	7,145,819,576	3,833,527,262	5,309,825,378	2,417,913,321
Unrealised gain on exchange rate	<u>(214,568,788)</u>	<u>(83,094,714)</u>	<u>(215,004,333)</u>	<u>(83,094,714)</u>
Cash and cash equivalents in the statements of cash flows	<u>6,931,250,788</u>	<u>3,750,432,548</u>	<u>5,094,821,045</u>	<u>2,334,818,607</u>

26. DIVIDENDS

At the Annual General Meeting of shareholders held on 30 March 2005, it was resolved that the company pay a dividend of Baht 0.80 per share for the year 2004, a total of Baht 950 million. The dividend reflected in the first quarter of the year 2005.

At the Annual General Meeting of shareholders held on 29 March 2004, it was resolved that the Company pay a dividend of Baht 0.80 per share for the year 2003, a total of Baht 950 million. The dividend was reflected in the first quarter of the year 2004.

28. FINANCIAL INSTRUMENTS

28.1 Financial risk management and policies

The Company and its subsidiaries are exposed to risks from changes in market interest rates and in currency exchange rates and from nonperformance of contractual obligations by counter parties. The Company and its subsidiaries use derivative instruments, as and when it considers appropriate, to manage such risks.

28.2 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of operations of the Company and its subsidiaries and their cash flows. The Company's and its subsidiaries' exposure to interest rate risk related primarily to their cash and cash equivalents, bank overdrafts and short-term loan from financial institutions and long-term loan from financial institutions. The majority of these financial assets and liabilities carry interest rates which vary in line with market rates. However, a subsidiary of the Company has entered into interest rate swap agreements to hedge such interest rate risk, as discussed in note 24.1 to the financial statements.

28.3 Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risks relates primarily to its cash and cash equivalents, receivable, payable, bank overdrafts and short-term loan from financial institutions and long-term loan from financial institutions which are denominated in foreign currencies. A subsidiary of the Company primarily utilise forward exchange contracts and special - condition option agreements with maturities of less than one year to hedge such financial assets and liabilities (as presented in note 12 and 24.1 to the financial statements). In addition to those transactional exposures, the Company and the subsidiary are also exposed to the effect of foreign exchange movements on their investments in foreign subsidiary and associated companies, which currently are not hedged by any derivative financial instruments.

28.4 Credit risk

It is the Company's and its subsidiaries' policy to enter into financial instruments with creditworthy counterparties. Therefore the Company and its subsidiaries do not expect any material losses which may arise from the counterparties' failure to perform their obligations under the financial instruments. The Company's and its subsidiaries' revenues are generated in the technology industry, which is characterised by short product life cycles and rapid advances in manufacturing technologies. The maximum exposure to credit risk is the carrying amount of the financial assets less provision for losses as stated in the balance sheets.

With respect to off-balance sheet derivative financial instruments, it is the Company's and its subsidiaries' policy to enter into financial instruments with creditworthy counterparties. Therefore, the Company and its subsidiaries do not expect any material losses to arise from the counterparties' failure to perform their obligations under the financial instruments.

28.5 Fair value

Since the majority of financial assets are short-term and that the loans carry interest at rates close to current market rates, the management believes that fair value of their financial assets and liabilities does not materially differ from their carrying value.

29. SUBSEQUENT EVENT

A meeting of the Board of Directors of the Company held on 9 February 2006 passed the following significant resolutions :-

- 29.1 Approved the proposal of a dividend of Baht 1.20 per share for the year 2005.
- 29.2 Approved the reallocation of the 11,883,260 reserved shares for the exercise of the DELTA-W1 warrants to an additional reserve for the exercise of the DELTA-W2 warrants.
- 29.3 Approved a USD 52,887,000 increase in the capital of DET International Holding Limited to make repayment of its long-term loan from a financial institution, as mentioned in note 13 to the financial statements, and to purchase shares of Delta Energy Systems (Germany) GmbH, Delta Energy Systems (Slovakia) s.r.o., Delta Energy System (India) Private Ltd., and Delta Electronics Europe Limited from Delta Energy Systems (Switzerland) AG.

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.

30. PRESENTATION

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, as issued under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2004 have been reclassified to conform to the current year's classifications, with no effect on previously reported net earnings or shareholders' equity.