

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2007 AND 2006

**Report of Independent Auditor**

To the Shareholders of Thai Tap Water Supply Public Company Limited

I have audited the accompanying consolidated balance sheets of Thai Tap Water Supply Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, and the separate financial statements of Thai Tap Water Supply 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 the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

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 provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thai Tap Water Supply Public Company Limited and its subsidiaries and of Thai Tap Water Supply Public Company Limited as at 31 December 2007 and 2006, 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 above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiary in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.



Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 11 February 2008

## THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	674,894,782	356,130,305	509,505,871	352,958,595
Current investments	8	847,257,927	695,000,000	779,198,000	670,000,000
Trade accounts receivable	9	292,704,529	217,595,545	185,942,567	217,595,545
Other receivable - related parties	6	15,888	-	4,689,068	4,572,068
Raw materials and supplies	10	14,117,081	6,685,038	7,047,168	5,737,789
Advance payment for construction - related party	6	42,592,517	-	-	-
Other current assets					
Interest receivable		8,172,404	10,222,979	7,579,098	10,222,979
Prepaid expenses		33,767,709	18,003,842	29,179,560	17,887,051
Prepaid interest expenses		1,671,657	-	-	-
Others		42,552,542	3,023,104	3,381,797	1,732,761
<b>TOTAL CURRENT ASSETS</b>		<b>1,957,747,036</b>	<b>1,306,660,813</b>	<b>1,526,523,129</b>	<b>1,280,706,788</b>
<b>NON-CURRENT ASSETS</b>					
Restricted bank deposit	11	184,482,989	-	-	-
Investments in subsidiaries	4, 12	-	-	4,575,436,995	700,000,000
Property, plant and equipment, net	13	9,196,856,745	9,355,964,279	9,123,572,835	9,293,249,488
Assets for production of treated water					
that must be transferred at end of concession, net	14	4,258,204,690	-	-	-
Rights to produce and sell treated water	12	3,079,618,878	-	-	-
Other non-current assets					
Withholding tax deducted at source		3,634,288	4,272,135	434,598	4,272,135
Others		604,455	15,048,400	319,300	15,036,400
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,723,402,045</b>	<b>9,375,284,814</b>	<b>13,699,763,728</b>	<b>10,012,558,023</b>
<b>TOTAL ASSETS</b>		<b>18,681,149,081</b>	<b>10,681,945,627</b>	<b>15,226,286,857</b>	<b>11,293,264,811</b>

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

## THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	15	3,004,836,140	-	3,000,000,000	-
Trade accounts payable					
Related parties	6	-	260,000	4,639,703	4,550,992
Unrelated parties		58,896,717	31,502,770	43,162,395	31,056,270
Amounts due to related parties	6	137,340,477	-	-	-
Retention payable					
Related party	6	1,251,169	-	-	-
Unrelated parties		3,177,431	2,149,711	2,514,434	2,149,711
Current portion of long-term loans					
from financial institutions	16	1,411,800,000	700,000,000	1,028,800,000	700,000,000
Other current liabilities					
Accrued expenses		47,439,577	18,427,688	25,414,731	18,179,751
Unbilled output tax		20,338,523	9,940,045	12,171,467	9,698,301
Value added tax payable		10,605,934	8,145,427	10,169,802	8,145,427
Others		9,377,417	1,659,320	1,650,360	1,198,543
TOTAL CURRENT LIABILITIES		4,705,063,385	772,084,961	4,128,522,892	774,978,995
NON-CURRENT LIABILITIES					
Retention - subsidiary	6	-	-	5,000,000	5,000,000
Long-term loans from financial institutions, net of current portion	16	9,261,312,290	6,020,000,000	5,989,509,900	6,020,000,000
TOTAL NON-CURRENT LIABILITIES		9,261,312,290	6,020,000,000	5,994,509,900	6,025,000,000
TOTAL LIABILITIES		13,966,375,675	6,792,084,961	10,123,032,792	6,799,978,995

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	17				
Registered					
3,990,000,000 ordinary shares of Baht 1 each		3,990,000,000	3,990,000,000	3,990,000,000	3,990,000,000
Issued and fully paid up					
3,290,000,000 ordinary shares of Baht 1 each					
(2006: 3,250,000,000 ordinary shares of Baht 1 each)		3,290,000,000	3,250,000,000	3,290,000,000	3,250,000,000
Share premium		483,000,000	475,000,000	483,000,000	475,000,000
Retained earnings					
Appropriated - statutory reserve	18	399,000,000	51,602,277	399,000,000	51,602,277
Unappropriated		1,123,774,789	713,621,255	931,254,065	716,683,539
Difference on reorganization of business					
of group companies	12	(600,362,866)	(600,362,866)	-	-
<b>EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS</b>		<b>4,695,411,923</b>	<b>3,889,860,666</b>	<b>5,103,254,065</b>	<b>4,493,285,816</b>
<b>MINORITY INTEREST - equity attributable to minority</b>					
shareholders of subsidiaries		19,361,483	-	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,714,773,406</b>	<b>3,889,860,666</b>	<b>5,103,254,065</b>	<b>4,493,285,816</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>18,681,149,081</b>	<b>10,681,945,627</b>	<b>15,226,286,857</b>	<b>11,293,264,811</b>

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

DIRECTORS

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006 (Restated)	2007	2006 (Restated)
<b>REVENUES</b>					
Sales of treated water	19	2,567,034,056	1,697,801,777	1,986,649,568	1,697,801,777
Service income		23,037,513	-	-	-
Interest income		32,894,893	24,384,643	27,985,124	23,621,011
Other income		265,968	-	1,280,328	-
<b>TOTAL REVENUES</b>		<b>2,623,232,430</b>	<b>1,722,186,420</b>	<b>2,015,915,020</b>	<b>1,721,422,788</b>
<b>EXPENSES</b>					
Cost of sales of treated water and service		780,802,175	496,141,652	532,733,370	509,479,580
Selling and administrative expenses	20	158,048,389	105,062,087	126,046,923	97,459,083
Amortisation of investments in subsidiaries	12	-	-	102,872,905	-
Amortisation of rights to produce and sell treated water	12	89,489,925	-	-	-
<b>TOTAL EXPENSES</b>		<b>1,028,340,489</b>	<b>601,203,739</b>	<b>761,653,198</b>	<b>606,938,663</b>
<b>INCOME BEFORE INTEREST EXPENSES AND CORPORATE INCOME TAX</b>					
		1,594,891,941	1,120,982,681	1,254,261,822	1,114,484,125
<b>INTEREST EXPENSES</b>					
		(637,643,540)	(437,015,753)	(529,793,573)	(437,015,753)
<b>CORPORATE INCOME TAX</b>					
		(14,036,874)	(2,070,967)	-	-
<b>INCOME AFTER CORPORATE INCOME TAX</b>					
		943,211,527	681,895,961	724,468,249	677,468,372
<b>PORTION OF NET INCOME PRIOR TO ACQUISITION BELONGING TO FORMER SHAREHOLDERS</b>					
	2.2	-	(7,489,873)	-	-
<b>NET INCOME ATTRIBUTABLE TO MINORITY INTEREST</b>					
		(23,160,270)	-	-	-
<b>NET INCOME FOR THE YEAR</b>					
	22	<b>920,051,257</b>	<b>674,406,088</b>	<b>724,468,249</b>	<b>677,468,372</b>
<b>BASIC EARNINGS PER SHARE</b>					
	23	<b>0.28</b>	<b>0.21</b>	<b>0.22</b>	<b>0.21</b>
<b>Weighted average number of ordinary shares (shares)</b>					
		<b>3,253,015,421</b>	<b>3,211,482,384</b>	<b>3,253,015,421</b>	<b>3,211,482,384</b>

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

Consolidated financial statements

	Issued and paid-up share capital	Share premium	Retained earnings		Difference on reorganization of business of group companies	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
			Unappropriated				
			Appropriated - statutory reserve				
<b>Balance as at 31 December 2005</b>	3,000,000,000	-	17,881,973	329,935,471	-	-	3,347,817,444
Issuance of additional ordinary shares (Note 17)	250,000,000	475,000,000	-	-	-	-	725,000,000
Net income for the year	-	-	-	674,406,088	-	-	674,406,088
Appropriated to statutory reserve (Note 18)	-	-	33,720,304	(33,720,304)	-	-	-
Difference on reorganisation of business of group companies (Note 12)	-	-	-	-	(600,362,866)	-	(600,362,866)
Dividend paid (Note 26)	-	-	-	(257,000,000)	-	-	(257,000,000)
<b>Balance as at 31 December 2006</b>	3,250,000,000	475,000,000	51,602,277	713,621,255	(600,362,866)	-	3,889,860,666
Issuance of additional ordinary shares (Note 17)	40,000,000	8,000,000	-	-	-	-	48,000,000
Net income for the year	-	-	-	920,051,257	-	-	920,051,257
Appropriated to statutory reserve (Note 18)	-	-	347,397,723	(347,397,723)	-	-	-
Dividend paid (Note 26)	-	-	-	(162,500,000)	-	-	(162,500,000)
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	19,361,483	19,361,483
<b>Balance as at 31 December 2007</b>	3,290,000,000	483,000,000	399,000,000	1,123,774,789	(600,362,866)	19,361,483	4,714,773,406

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Unit: Baht)

	Separate financial statements					Difference on reorganization of business of group companies (Restated)	Total (Restated)
	Issued and paid-up share capital	Share premium	Retained earnings		Unappropriated (Restated)		
			Appropriated - statutory reserve	Unappropriated (Restated)			
<b>Balance as at 31 December 2005</b>	3,000,000,000	-	17,881,973	329,935,471	-	3,347,817,444	
Issuance of additional ordinary shares (Note 17)	250,000,000	475,000,000	-	-	-	725,000,000	
Net income for the year - restated (Note 4)	-	-	-	677,468,372	-	677,468,372	
Appropriated to statutory reserve (Note 18)	-	-	33,720,304	(33,720,304)	-	-	
Dividend paid (Note 26)	-	-	-	(257,000,000)	-	(257,000,000)	
<b>Balance as at 31 December 2006 - as restated</b>	<b>3,250,000,000</b>	<b>475,000,000</b>	<b>51,602,277</b>	<b>716,683,539</b>	<b>-</b>	<b>4,493,285,816</b>	
<b>Balance as at 31 December 2006 - as previously reported</b>	<b>3,250,000,000</b>	<b>475,000,000</b>	<b>51,602,277</b>	<b>713,621,255</b>	<b>(600,362,866)</b>	<b>3,889,860,666</b>	
Cumulative effect of the change in accounting policy for investments in subsidiary (Note 4)	-	-	-	3,062,284	-	603,425,150	
<b>Balance as at 31 December 2006 - as restated</b>	<b>3,250,000,000</b>	<b>475,000,000</b>	<b>51,602,277</b>	<b>716,683,539</b>	<b>-</b>	<b>4,493,285,816</b>	
Issuance of additional ordinary shares (Note 17)	40,000,000	8,000,000	-	-	-	48,000,000	
Net income for the year	-	-	-	724,468,249	-	724,468,249	
Appropriated to statutory reserve (Note 18)	-	-	347,397,723	(347,397,723)	-	-	
Dividend paid (Note 26)	-	-	-	(162,500,000)	-	(162,500,000)	
<b>Balance as at 31 December 2007</b>	<b>3,290,000,000</b>	<b>483,000,000</b>	<b>399,000,000</b>	<b>931,254,065</b>	<b>-</b>	<b>5,103,254,065</b>	

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



THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006 (Restated)
<b>Cash flows from operating activities</b>				
Net income	920,051,257	674,406,088	724,468,249	677,468,372
Adjustments to reconcile net income to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	401,269,161	255,555,773	283,320,416	252,368,450
Amortisation of investments in subsidiaries	-	-	102,872,905	-
Amortisation of rights to produce and sell treated water	89,489,925	-	-	-
Loss on equipment written off	7,533	771,626	-	-
Unrealised gain on exchange	-	(184,339)	-	(184,339)
Net income attributable to minority interest	23,160,270	-	-	-
Income from operating activities before changes in operating assets and liabilities	1,433,978,146	930,549,148	1,110,661,570	929,652,483
Operating assets (increase) decrease				
Trade accounts receivable	40,609,145	(91,162,732)	31,652,978	(91,162,732)
Other receivable - related parties	(15,888)	34,089,732	(117,000)	5,713,448
Raw materials and supplies	1,914,013	(3,668,982)	(1,309,380)	(5,737,789)
Other current assets	(23,220,874)	(18,804,563)	(10,297,663)	(18,712,774)
Other non-current assets	2,619,969	(215,157)	3,554,637	(237,182)
Operating liabilities increase (decrease)				
Trade accounts payable - related parties	(260,000)	(96,824,481)	88,711	(81,059,445)
Trade accounts payable - unrelated parties	8,519,934	5,067,353	12,106,125	20,550,357
Amounts due to related parties	(495,046,925)	-	-	-
Other current liabilities	14,726,467	(18,782,313)	12,184,338	(11,128,606)
Retention - subsidiary	-	-	-	5,000,000
Net cash flows from operating activities	983,823,987	740,248,005	1,158,524,316	752,877,760

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

## THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## CASH FLOW STATEMENTS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
				(Restated)
<b>Cash flows from investing activities</b>				
Increase in current investments	(101,758,858)	(410,000,000)	(109,198,000)	(385,000,000)
Decrease in restricted bank deposit	19,485,433	-	-	-
Increase in advance payment for construction - related party	(42,592,517)	-	-	-
Net cash payments for acquisition of investments				
in subsidiaries (Note 12)	(3,498,488,392)	(660,539,317)	(3,998,309,900)	(700,000,000)
Cash payments for acquisition of investments				
in subsidiaries from minority interest (Note 12)	(360,893,680)	-	-	-
Increase in property, plant and equipment	(101,425,877)	(9,362,501)	(98,643,763)	(9,168,314)
Increase in assets for production of treated water that				
must be transferred at end of concession	(276,842,826)	-	-	-
Proceeds from disposal of equipment	-	1,534,969	-	-
Cash paid for deposits for purchase of land	-	(15,000,000)	-	(15,000,000)
Dividend received from subsidiary	-	-	20,000,000	-
Increase (decrease) in retention payable	1,642,153	(6,345,490)	364,723	(6,345,490)
Net cash flows used in investing activities	<u>(4,360,874,564)</u>	<u>(1,099,712,339)</u>	<u>(4,185,786,940)</u>	<u>(1,115,513,804)</u>
<b>Cash flows from financing activities</b>				
Cash received from issuance of additional ordinary shares	48,000,000	725,000,000	48,000,000	725,000,000
Increase in bank overdrafts and short-term loans				
from financial institutions	2,983,890,996	-	3,000,000,000	-
Increase (decrease) in long-term loans from financial institutions	826,424,058	(140,000,000)	298,309,900	(140,000,000)
Dividend paid	(162,500,000)	(257,000,000)	(162,500,000)	(257,000,000)
Net cash flows from financing activities	<u>3,695,815,054</u>	<u>328,000,000</u>	<u>3,183,809,900</u>	<u>328,000,000</u>
Net increase (decrease) in cash and cash equivalents	318,764,477	(31,464,334)	156,547,276	(34,636,044)
Cash and cash equivalents at beginning of year	356,130,305	387,594,639	352,958,595	387,594,639
Cash and cash equivalents at end of year	<u>674,894,782</u>	<u>356,130,305</u>	<u>509,505,871</u>	<u>352,958,595</u>
<b>Supplemental cash flows information</b>				
Cash paid during the year for				
Interest expenses	633,772,703	435,401,918	526,551,011	435,401,918
Interest expenses capitalised as part of assets				
for production of treated water	15,291,531	-	-	-
Corporate income tax and withholding tax deducted at source	8,598,253	7,450,496	342,629	143,703
Non-cash transactions				
Transfer deposits for purchase of land to land	15,000,000	-	15,000,000	-

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

THAI TAP WATER SUPPLY PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**1. GENERAL INFORMATION**

Thai Tap Water Supply Public Company Limited (“the Company”) was incorporated as a limited company under the Civil and Commercial Code on 11 September 2000 and registered the change of its status to a public company limited under the Public Limited Companies Act B.E. 2535 on 6 July 2006. The Company operates in Thailand and its major shareholder is CH. Karnchang Public Company Limited, which was also incorporated in Thailand. The Company is principally engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the Amphur Nakorn Chaisri, Amphur Sam Pran, and Amphur Budha Monthon areas of Nakhon Pathom and the Amphur Muang and Amphur Kratumban areas of Samut Sakhon, under the “Water Purchase Agreement” made with the PWA dated 21 September 2000, which covers a period of 30 years as from the Actual Commencement Date (21 July 2004), and under the Concession to operate treated water granted by the Ministry of Natural Resources and Environment (the Concessionaire) for a period of 25 years commencing on 11 March 2005. The Company has to comply with certain conditions as stipulated in the Water Purchase Agreement and the Concession.

The terms of the Concession include certain significant conditions, such as that when the Company has completed half of the concession period, if the government or the local government agency wish to purchase the water production business of the Company, the Concessionaire is entitled to cancel the concession in order to purchase it, or permit the relevant local government agency to purchase it, at market price. However, it must provide the Company with advance notice of six months of such action. The terms of the Concession also place restrictions on dividend payment.

The Company’s registered address is 30/10 Moo 12, Budha Monthon 5 Road, RaiKhing, Sam Pran, Nakhon Pathom.

**2. BASIS OF PREPARATION**

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

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

## 2.2 Basis of consolidation

The consolidated financial statements have been accounted for in accordance with the draft accounting standard regarding business combinations under common control (which is being considered by the Federation of Accounting Professions). The consolidated income statement for the year ended 31 December 2006 included the operating results of WaterFlow Company Limited, which the Company acquired in February 2006, as from the beginning of the year 2006, ignoring the actual date of the business combination under common control (the date of acquiring shares of the subsidiary). The net income of the subsidiary derived from operation prior to the acquisition date, which was for former shareholders, is presented as the deduction in net income for 2006 under the caption of "Portion of net income prior to acquisition belonging to former shareholders".

- a) The consolidated financial statements include the financial statements of the Company and the following subsidiary companies:

Company's name	Nature of business	Country of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
			2007 Percent	2006 Percent	2007 Percent	2006 Percent	2007 Percent	2006 Percent
WaterFlow Company Limited	Operating and maintenance of water supply project	Thailand	100	100	0.39	1.00	0.01	-
Pathum Thani Water Company Limited	Production and sale of treated water in Pathumthani	Thailand	98	-	25.27	-	22.30	-
BJT Water Company Limited (100 percent held by Pathum Thani Water Company Limited)	Operating and maintenance of water supply project	Thailand	98 (Indirect holding)	-	0.53	-	0.89	-

- b) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- c) Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies.

d) The Company acquired an 89.15 percent holding in Pathum Thani Water Company Limited on 29 June 2007, and subsequently, on 18 December 2007, acquired an additional 8.85 percent holding. As a result it holds an 98 percent interest in that company. Pathum Thani Water Company Limited is principally engaged in the production and sale of treated water in areas of Pathumthani and Rangsit under 25-year concessions granted by the Provincial Waterworks Authority (PWA.) and Ministry of Interior (the Concessionaire), commencing on 15 October 1998 and 13 January 2000, respectively, and therefore has to comply with conditions stipulated in those concessions. The terms of the Concession granted by the Ministry of Interior include certain significant conditions, such as that when Pathum Thani Water Company Limited has completed half of the concession period, if the government or the local government agency wish to purchase the water production business of that company, the Concessionaire is entitled to cancel the concession in order to purchase it, or permit the relevant local government agency to purchase it, at market price. However, it must provide six months' advance notice of such action. The terms of the Concession also include restrictions on dividend payment. Pathum Thani Water Company Limited has a subsidiary, BJT Water Company Limited, which is principally engaged in the operation and maintenance of water supply projects. As a result, the Company has included the financial statements of Pathum Thani Water Company Limited and its subsidiary in the consolidated financial statements since 30 June 2007, including the operating results of these subsidiaries since 1 July 2007 in the consolidated financial statements for the year ended 31 December 2007.

2.3 The separate financial statements, which present investments in subsidiaries presented under the cost method, have been prepared solely for the benefit of the public.

### **3. ADOPTION OF NEW ACCOUNTING STANDARDS**

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

#### **3.1 Thai Accounting Standards which are effective for 2007**

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

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of 2007, the Company changed its accounting policy for recording investments in subsidiary in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44 as discussed in Note 4. Thai Accounting Standards No. 45 and 46 are not relevant to the business of the Company.

### 3.2 Thai Accounting Standards which are not effective for 2007

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

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

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

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

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiary had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statements for the year ended 31 December 2007 and 2006 by Baht 5.9 million (Baht 0.002 per share) and Baht 3.1 million (Baht 0.001 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiary," in the separate statements of changes in shareholders' equity.

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

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Revenues and expenses recognition**

#### **a) Sales of treated water**

Sales of treated water are recognised when the Company and a subsidiary supply the water to the Provincial Waterworks Authority, and comprise the invoiced value, excluding value added tax, of the treated water supplied, after deducting discounts and allowances.

#### **b) Service income**

Service income presents the invoiced value, excluding value added tax, of services rendered.

#### **c) Interest income**

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

#### **d) Dividends**

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

#### **e) Other revenues and expenses recognition**

Other revenues and expenses are recognised on an accrual basis.

### **5.2 Cash and cash equivalents**

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

### **5.3 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 Raw materials and supplies**

Raw materials and supplies are valued at the lower of cost (first - in first - out method) and net realisable value and are charged to treated water production costs whenever consumed.

### **5.5 Investments in subsidiaries**

Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

Investment costs of subsidiaries are the values paid for their acquisition. The subsidiary engaged in business under the concessions for production and sale of treated water granted by the Provincial Waterworks Authority and government entities or units is to operate the concession businesses over fixed periods stipulated in the concessions, and the subsidiary has committed to transfer most of its assets used in the operation to the Provincial Waterworks Authority. Hence, parts of the investment cost are deemed to be investments in the acquisition of rights to operate business under concessions, and are amortised on a straight-line basis over the remaining concession periods, commencing from the date of investment in the subsidiary, and presented as amortisation of investments in subsidiary. The amortised amount is recognised as expense in the statements of income.

In addition, parts of the investment cost in the subsidiary to which the Company transferred most of its operations after investment, in order to reduce future operating costs, was amounts paid for acquisition of such operations. These are amortised on a straight-line basis over the remaining period of the Water Purchase Agreement made between the Company and the Provincial Waterworks Authority, commencing from the date of investing in the subsidiary, and presented as amortisation of investments in subsidiary. The amortised amount is recognised as expense in the statements of income.

## 5.6 Property, plant and equipment and depreciation

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

Depreciation for assets is generally calculated by reference to their costs on the straight-line basis over estimated useful lives of 3, 5 and 10 years. However depreciation of the Company's assets used for production of treated water is calculated using the units-of-production method, based on the following formula:

$$\text{Depreciation for the period} = \text{Net assets for production of treated water at the beginning of period} \times \text{Percentage of treated water produced in the period}$$

$$\text{Percentage of treated water produced in the period} = \frac{\text{Current period's actual production of treated water}}{(\text{Actual production of treated water for the period} + \text{Projected total production of treated water over the remaining term of the Water Purchase Agreement})}$$

$$\text{Net assets for production of treated water as at the beginning of the period} = \text{Total assets for production of treated water} - \text{Accumulated depreciation as at the beginning of the period}$$



Assets for production of treated water consist of costs of construction of a water treatment plant and distribution system, and related interest expenses and financial costs.

Depreciation is included in determining income.

No depreciation is charged for land and construction in progress.

#### **5.7 Assets for production of treated water that must be transferred at end of concession and amortisation**

Assets for production of treated water of Pathum Thani Water Company Limited that will be transferred to the Provincial Waterworks Authority at the end of the concession to produce and sell treated water (land, water treatment plant and distribution system) are stated at cost less accumulated amortisation. Amortisation of assets for production of treated water is calculated using the units-of-production method, based on the following formula:

Amortisation for the period = Net assets for production of treated water at the beginning of period x Percentage of treated water produced in the period

Percentage of treated water produced in the period = 
$$\frac{\text{Current period's actual production of treated water}}{\text{(Actual production of treated water for the period + Projected total production of treated water over the remaining term of concession for production and sale of treated water)}}$$

Net assets for production of treated water that must be transferred at end of concession as at the beginning of the period = Total assets for production of treated water that must be transferred at end of concession - Accumulated amortisation as at the beginning of the period

Amortisation is included in determining income.

Construction in progress is stated at cost and is not amortised.

#### **5.8 Rights to produce and sell treated water**

Rights to produce and sell treated water, which arose as a result of the acquisition of ordinary shares in Pathum Thani Water Company Limited being made at a cost higher than the fair value of this subsidiary, is regarded as an intangible asset with a definite life. It is amortised on a straight-line basis over the remaining period of the subsidiary's concession for production and sale of treated water, starting from the acquisition date (approximately 16 years).

## **5.9 Capitalisation of interest cost**

Interest cost on borrowings for use in construction of assets for production of treated water, is capitalised as part of the cost of assets and will be ceased when the project is completed or when the construction is suspended until active development resumes.

## **5.10 Related party transactions**

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

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

## **5.11 Foreign currencies**

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

Gains and losses on exchange are included in determining income.

## **5.12 Impairment of assets**

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

## **5.13 Employee benefits**

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

## **5.14 Income tax**

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

### 5.15 Use of accounting estimates

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

## 6. 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 business between the Company and those parties. Below is a summary of those transactions.

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements		financial statements		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Other income	-	-	1.3	-	Based on contract
Cost of production of treated water	-	-	23.1	42.0	Based on contract
<u>Transactions with related parties</u>					
Cost of production of treated water	-	-	-	45.5	Based on contract
Selling and administrative expense	3.2	0.3	-	-	Based on contract
Purchase of investment in subsidiary	-	-	3,867.6	-	Based on contract
Construction in progress for assets for production of treated water that must be transferred at end of concession	271.5	-	-	-	Based on contract
Assets for production of treated water that must be transferred at end of concession	30.9	-	-	-	Based on contract
Interest expense	5.8	-	-	-	Interest rate at MLR - 5% p.a.

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

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b><u>Other receivable - related parties</u></b>				
<b><u>Subsidiary</u></b>				
- WaterFlow Company Limited	-	-	4,689,068	4,572,068
	-	-	4,689,068	4,572,068
<b><u>Related company</u></b>				
- CH. Karnchang Public Company Limited	15,888	-	-	-
	15,888	-	-	-
	<u>15,888</u>	<u>-</u>	<u>4,689,068</u>	<u>4,572,068</u>
<b><u>Advance payment for construction - related party</u></b>				
- CH. Karnchang Public Company Limited	42,592,517	-	-	-
	<u>42,592,517</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Trade accounts payables - related parties</u></b>				
<b><u>Subsidiary</u></b>				
- WaterFlow Company Limited	-	-	4,639,703	4,550,992
	-	-	4,639,703	4,550,992
<b><u>Related company</u></b>				
- CH. Karnchang Public Company Limited	-	260,000	-	-
	-	260,000	-	-
	<u>-</u>	<u>260,000</u>	<u>4,639,703</u>	<u>4,550,992</u>
<b><u>Amounts due to related parties</u></b>				
- CH. Karnchang Public Company Limited	24,033,416	-	-	-
- Pathum Thani Operations Company Limited	113,300,699	-	-	-
- CK. Office Tower Company Limited	6,362	-	-	-
	<u>137,340,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Retention payable - related party</u></b>				
- CH. Karnchang Public Company Limited	1,251,169	-	-	-
	<u>1,251,169</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Retention - subsidiary</u></b>				
- WaterFlow Company Limited	-	-	-	5,000,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>

### Directors and management's remuneration

In 2007 the Company and the subsidiaries paid salaries and bonus to their directors and management totaling Baht 26.8 million (the Company only: Baht 20 million) (2006: Baht 14.7 million, the Company only: Baht 14.7 million).

### **7. CASH AND CASH EQUIVALENTS**

The Company and a subsidiary have pledged their rights to receive deposits from bank accounts with outstanding balances as at 31 December 2007 and 2006 of approximately Baht 592.8 million and Baht 353.0 million, respectively (the Company only: Baht 509.4 million and Baht 353.0 million, respectively) with groups of lenders to secure long-term loans of the Company and the subsidiary. The Company and the subsidiary are able to withdraw these deposits for the use of regular operating expenses.

### **8. CURRENT INVESTMENTS**

The balances of current investments represent the three-month period to twelve-month period fixed deposits, carrying interest between 2.25 and 5.25 percent per annum. The Company has pledged these fixed deposits with outstanding balance as at 31 December 2007 totaling Baht 779.2 million to secure long-term loans of the Company (2006: Baht 670.0 million).

### **9. TRADE ACCOUNTS RECEIVABLE**

As at 31 December 2007 and 2006, the outstanding balances of trade accounts receivable was over due less than 3 months.

### **10. RAW MATERIALS AND SUPPLIES**

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Raw materials	3,193,131	3,030,981	1,995,822	3,030,981
Spare parts	10,923,950	3,654,057	5,051,346	2,706,808
Total	<u>14,117,081</u>	<u>6,685,038</u>	<u>7,047,168</u>	<u>5,737,789</u>

## 11. RESTRICTED BANK DEPOSIT

The outstanding balance as at 31 December 2007 comprised a fixed deposit with a local commercial bank of Baht 184.5 million for the purpose of reserving for principal and interest repayment as stipulated in the long-term loan agreement of a subsidiary.

## 12. INVESTMENTS IN SUBSIDIARIES

(Unit: Baht)

Company's name	Separate financial statements						Dividend received for the year ended	
	Paid-up capital		Shareholding percentage		Investments at cost		31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
			Percent	Percent				
WaterFlow Company Limited	10	10	100	100	700,000,000	700,000,000	20,000,000	-
Pathum Thani Water Company Limited and its subsidiary	1,200	1,102	98	-	3,998,309,900	-	-	-
					4,698,309,900	700,000,000	20,000,000	-
Less: Amortisation of investments in subsidiaries					(102,872,905)	-		
Less: Dividend received from income before purchase of shares					(20,000,000)	-		
Total					4,575,436,995	700,000,000	20,000,000	-

### WaterFlow Company Limited

On 27 February 2006, the Company purchased 100,000 ordinary shares of WaterFlow Company Limited from its then shareholders (these shares had formerly been held by related companies but had already been sold) at a price of Baht 7,000 per share, or for a total of Baht 700 million. This represents 100 percent of the share capital of that company. The share price is close to the value appraised by an independent financial advisor. However, since this purchase of the shares is made for the purpose of restructuring the organization of the group companies, the Company reflected the results of the share purchase in the consolidated financial statements and recorded the difference between the acquisition cost of the investment and the attributable net book value of the subsidiary, amounting to Baht 600.4 million, as a separate item in shareholders' equity under the caption "Difference on reorganization of business of group companies" and has included the financial statements of this subsidiary in the consolidated financial statements from the beginning of the year 2006.

Valuation of acquired assets and liabilities as at the acquisition date of investments in WaterFlow Company Limited can be summarised below.

	(Unit: Baht)
Cash and cash equivalents	39,460,683
Trade accounts receivable	23,804,216
Other current assets	4,331,401
Other non-current assets	34,025
Property, plant and equipment	68,014,522
Trade accounts payable	(27,403,548)
Other current liabilities	(8,604,165)
Total net assets	<u>99,637,134</u>
Add: Difference on reorganization of business of group companies	<u>600,362,866</u>
Cash payments for acquisition of investments in subsidiary	700,000,000
Less: Cash and cash equivalents of subsidiary	<u>(39,460,683)</u>
Net cash payments for acquisition of investments in subsidiary	<u><u>660,539,317</u></u>

#### **Pathum Thani Water Company Limited**

On 25 June 2007, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the purchase of ordinary shares in Pathum Thani Water Company Limited from its shareholders, comprised of the Company's major shareholder and other shareholders, at a price of Baht 340 per share (the share price is close to the value appraised by an independent financial advisor), with the acquisition to comprise an aggregate number of shares not higher than 98 percent of the share capital of Pathum Thani Water Company Limited.

Subsequently, on 25 and 27 June 2007, the Company entered into share sale and purchase agreements for the shares of Pathum Thani Water Company Limited with existing shareholders, whereby it purchased 10,698,283 ordinary shares of Pathum Thani Water Company Limited, or equivalent to 89.15 percent of the paid-up capital of that company, at a price of Baht 340 per share, for a total of Baht 3,637.4 million. The Company paid for these ordinary shares on 29 June 2007.

The fair value of acquired assets and liabilities as at the date of acquisition (29 June 2007) of the investments in Pathum Thani Water Company Limited and its subsidiary (BJT Water Company Limited) can be summarised as below.

	(Unit: Baht)
Cash and cash equivalents	138,927,828
Current investments	50,499,068
Trade accounts receivable	115,718,128
Other current assets	41,039,569
Restricted bank deposit	203,968,422
Equipment	13,367,660
Assets for production of treated water that must be transferred at end of concession	4,093,737,487
Rights to produce and sell treated water	2,893,831,842
Other non-current assets	2,538,177
Bank overdrafts	(20,945,144)
Trade accounts payable	(18,874,013)
Amounts due to related parties	(632,387,403)
Other current liabilities	(35,499,239)
Long-term loans	<u>(3,126,688,232)</u>
Total net assets	3,719,234,150
Less: Minority interest - equity attributable to minority shareholders of subsidiaries	<u>(81,817,930)</u>
Cash payments for acquisition of investments in subsidiaries	3,637,416,220
Less: Cash and cash equivalents of subsidiaries	<u>(138,927,828)</u>
Net cash payments for acquisition of investments in subsidiaries	<u><u>3,498,488,392</u></u>

As at the date of acquisition (29 June 2007) of the investments in Pathum Thani Water Company Limited, the fair value of the assets of Pathum Thani Water Company Limited used for production of treated water was Baht 71.3 million higher than their net book value (proportionate to the Company's acquisition). The Company recorded such difference as an addition to assets for production of treated water that must be transferred at the end of the concession and cash payments made for the acquisition in excess of the attributable fair value of Pathum Thani Water Company Limited, amounting to Baht 2,893.8 million, are deemed to be investments in the acquisition of rights to produce and sell treated water of the subsidiary. Such amounts were therefore recorded as "Rights to produce and sell treated water" in the consolidated financial statements.

Subsequently, on 14 December 2007 the Company entered into share sale and purchase agreements for the shares of Pathum Thani Water Company Limited with existing shareholders, whereby it purchased 1,061,452 ordinary shares of Pathum Thani Water Company Limited, or equivalent to 8.85 percent of the paid-up capital of that company, at a price of Baht 340 per share, for a total of Baht 360.9 million. The Company paid for these ordinary shares on 18 December 2007 and as a result it holds an 98 percent interest in that company. The Company recorded cash payments for this acquisition in excess of the attributable fair value of Pathum Thani Water Company Limited, amounting to Baht 275.3 million, as "Rights to produce and sell treated water" in the consolidated financial statements.



	(Unit: Baht)
	Consolidated financial statements
Rights to produce and sell treated water	3,169,108,803
Less: Amortisation of rights to produce and sell treated water for the year	<u>(89,489,925)</u>
Rights to produce and sell treated water, net	<u><u>3,079,618,878</u></u>

The Company has pledged some of shares in Pathum Thani Water Company Limited with the group of lenders to secure short-term loans and parts of the long-term loans obtained from these lenders by the Company and Pathum Thani Water Company Limited.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated financial statements					(Unit: Baht)
	Land	Assets for production of treated water	Furniture and office equipment	Motor vehicles	Tools	Total
<b>Cost:</b>						
31 December 2006	355,883,402	9,547,391,309	10,864,781	12,504,826	14,026,045	9,940,670,363
Additions	86,445,000	23,239,673	4,511,749	32,243	2,197,212	116,425,877
Write off	-	-	(108,029)	-	-	(108,029)
Transfer in (out)	-	(1,606,511)	1,230,041	-	376,470	-
Acquisitions of subsidiaries during the year	-	-	31,811,677	15,662,929	5,692,462	53,167,068
31 December 2007	<u>442,328,402</u>	<u>9,569,024,471</u>	<u>48,310,219</u>	<u>28,199,998</u>	<u>22,292,189</u>	<u>10,110,155,279</u>
<b>Accumulated depreciation:</b>						
31 December 2006	-	569,844,477	5,529,967	5,598,415	3,733,225	584,706,084
Depreciation for the year	-	278,661,969	3,164,466	3,347,494	3,719,609	288,893,538
Depreciation on write off	-	-	(100,496)	-	-	(100,496)
Acquisitions of subsidiaries during the year	-	-	27,777,564	7,346,726	4,675,118	39,799,408
31 December 2007	<u>-</u>	<u>848,506,446</u>	<u>36,371,501</u>	<u>16,292,635</u>	<u>12,127,952</u>	<u>913,298,534</u>
<b>Net book value:</b>						
31 December 2006	<u>355,883,402</u>	<u>8,977,546,832</u>	<u>5,334,814</u>	<u>6,906,411</u>	<u>10,292,820</u>	<u>9,355,964,279</u>
31 December 2007	<u>442,328,402</u>	<u>8,720,518,025</u>	<u>11,938,718</u>	<u>11,907,363</u>	<u>10,164,237</u>	<u>9,196,856,745</u>
<b>Depreciation for the year</b>						
2006 (Baht 251.1 million included in cost of sales of treated water, and the balance in selling and administrative expenses)						<u>255,555,773</u>
2007 (Baht 280 million included in cost of sales of treated water, and the balance in selling and administrative expenses)						<u>288,893,538</u>

(Unit: Baht)

	Separate financial statements					Total
	Land	Assets for production of treated water	Furniture and office equipment	Motor vehicles	Tools	
<b>Cost:</b>						
31 December 2006	301,150,902	9,547,391,309	5,316,122	9,007,321	6,872,400	9,869,738,054
Additions	86,445,000	23,239,674	3,959,089	-	-	113,643,763
Transfer in (out)	-	(1,606,511)	1,230,041	-	376,470	-
31 December 2007	<u>387,595,902</u>	<u>9,569,024,472</u>	<u>10,505,252</u>	<u>9,007,321</u>	<u>7,248,870</u>	<u>9,983,381,817</u>
<b>Accumulated depreciation:</b>						
31 December 2006	-	569,844,477	2,366,919	3,873,375	403,795	576,488,566
Depreciation for the year	-	278,661,968	1,687,344	1,538,864	1,432,240	283,320,416
31 December 2007	-	<u>848,506,445</u>	<u>4,054,263</u>	<u>5,412,239</u>	<u>1,836,035</u>	<u>859,808,982</u>
<b>Net book value:</b>						
31 December 2006	<u>301,150,902</u>	<u>8,977,546,832</u>	<u>2,949,203</u>	<u>5,133,946</u>	<u>6,468,605</u>	<u>9,293,249,488</u>
31 December 2007	<u>387,595,902</u>	<u>8,720,518,027</u>	<u>6,450,989</u>	<u>3,595,082</u>	<u>5,412,835</u>	<u>9,123,572,835</u>
<b>Depreciation for the year</b>						
2006 (Baht 250 million included in cost of sales of treated water, and the balance in selling and administrative expenses)						<u>252,368,450</u>
2007 (Baht 280 million included in cost of sales of treated water, and the balance in selling and administrative expenses)						<u>283,320,416</u>

The Company has mortgaged land and assets for production of treated water with a total net book value as at 31 December 2007 of Baht 9,086 million (2006: Baht 9,279 million) with a group of lenders to secure the short-term and long-term loan facilities obtained from the group of lenders.

As at 31 December 2007, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 36 million (2006: Baht 2 million) (the Company only: Baht 3 million, 2006: Baht 2 million).

**14. ASSETS FOR PRODUCTION OF TREATED WATER THAT MUST BE TRANSFERRED AT  
END OF CONCESSION**

(Unit: Baht)

	Consolidated financial statements			
	Land	Water treatment plant and local distribution treated water system	Construction in progress	Total
<b>Cost:</b>				
31 December 2006	-	-	-	-
Acquisitions of subsidiaries during the year	413,087,705	5,087,284,834	449,008,040	5,949,380,579
Additions	-	30,880,047	245,962,779	276,842,826
31 December 2007	413,087,705	5,118,164,881	694,970,819	6,226,223,405
<b>Accumulated amortisation:</b>				
31 December 2006	-	-	-	-
Acquisitions of subsidiaries during the year	142,251,608	1,713,391,484	-	1,855,643,092
Amortisation for the year	8,173,999	104,201,624	-	112,375,623
31 December 2007	150,425,607	1,817,593,108	-	1,968,018,715
<b>Net book value</b>				
31 December 2006	-	-	-	-
31 December 2007	262,662,098	3,300,571,773	694,970,819	4,258,204,690
<b>Amoritisation for the year included in cost of sales of treated water in the income statements</b>				
2006				-
2007				112,375,623

Assets for production of treated water of Pathum Thani Water Company Limited will be transferred to the Provincial Waterworks Authority after the end of the 25-year concession to produce and sell treated water.

Pathum Thani Water Company Limited has mortgaged its land, water treatment plant and local distribution treated water system with a group of lenders to secure the long-term loan facilities and bank overdrafts obtained from the group of lenders.

## 15. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit: Baht)

	Interest rates (% p.a.)	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
Short-term loans from banks	MLR	3,000,000,000	-	3,000,000,000	-
Bank overdrafts	MOR, MOR + 0.125	4,836,140	-	-	-
		<u>3,004,836,140</u>	<u>-</u>	<u>3,000,000,000</u>	<u>-</u>

On 27 June 2007, the Company entered into a loan agreement with two commercial banks granting new loans amounting to Baht 3,000 million in order to purchase ordinary shares in Pathum Thani Water Company Limited, up to a total of 98 percent of the paid-up capital of that company (as discussed in Note 12). These loans carry interest at the Minimum Loan Rate (MLR) per annum and are repayable in full at the earlier of one year from the drawdown date or on the date of the initial public offering of the Company's shares on the Stock Exchange of Thailand.

In addition, two major shareholders and a related company entered into an Undertaking Agreement with a group of lenders in order to obtain cash support to make settlement of these short-term loans in the event that the Company can not be listed on the Stock Exchange of Thailand within one year from the drawdown date or the proceeds derived from the initial public offering of the Company's shares on the Stock Exchange of Thailand are not sufficient to make payment of the loans.

The short-term loans are secured by the mortgage of the Company's land and construction thereon, the pledge of some of the share certificates in Pathum Thani Water Company Limited, and the assignment of the Company's rights under the sales of treated water contract, its rights to funds deposited in bank accounts, and the beneficiary rights under insurance policies.

Bank overdrafts of a subsidiary are secured by the mortgage of the subsidiary's land and construction thereon, the pledge of the subsidiary's fixed deposits and share certificates, the assignment of the subsidiary's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

**16. LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS/CURRENT PORTION OF LONG-TERM LOANS FROM FINANCIAL INSTITUTIONS**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Thai Tap Water Supply Public Company Limited	7,018,309,900	6,720,000,000	7,018,309,900	6,720,000,000
Pathum Thani Water Company Limited	3,654,802,390	-	-	-
	10,673,112,290	6,720,000,000	7,018,309,900	6,720,000,000
Less: Current portion	(1,411,800,000)	(700,000,000)	(1,028,800,000)	(700,000,000)
Long-term loans, net of current portion	<u>9,261,312,290</u>	<u>6,020,000,000</u>	<u>5,989,509,900</u>	<u>6,020,000,000</u>

**The Company**

The Company has entered into long-term loans agreement with a group of domestic lenders formed by 3 commercial banks with a line of credit amounting to totaling Baht 7,000 million dividing to Baht 5,200 million Tranche A Facility and Baht 1,800 million Tranche B Facility. The interest rates for these loans are 7.75 percent per annum for Tranche A Facility and 8.25 percent per annum for Tranche B for the period as from May 2001 to October 2003, Minimum Loan Rate (MLR) for the period until the actual commencement date of sales occurred, MLR - 1% for the period of three years after the actual commencement date of sales occurred, and MLR or MLR - 1% (depend on certain conditions in the loan agreement) for the remaining periods. The loan principal is repayable on a quarterly basis commencing in January 2005. The loan repayment schedule for each year is as follows:

<u>Year</u>	<u>Loan repayment</u>
2005	2.00 percent
2006	2.00 percent
2007	10.00 percent
2008	14.34 percent
2009	14.34 percent
2010	14.34 percent
2011	14.34 percent
2012	14.34 percent
2013	14.30 percent

On 27 June 2007, the Company entered into a loan agreement with two commercial banks granting new loans amounting to Baht 1,000 million in order to purchase the ordinary shares in Pathum Thani Water Company Limited (as discussed in Note 12). These loans carry interest at the Minimum Loan Rate (MLR) per annum for a period of one year from the drawdown date and at MLR - 0.5% per annum for the remaining period. The loans are repayable in 20 quarterly installments, with the first of these due in October 2008, and are to be repaid in full within July 2013. As at 31 December 2007, the Company has drawn down Baht 998.3 million from this facility.

The Company's loans are secured by the mortgage of the Company's land and construction thereon, the pledge of fixed-term bank deposits of the Company and the share certificates for the Company's shares and some of the shares in Pathum Thani Water Company Limited and the assignment of the Company's rights under the sales of treated water contract, its rights to funds deposited in bank accounts, and the beneficiary rights under insurance policies.

These loan agreements contain covenants that, among other things, require the Company to maintain certain debt to equity ratio.

#### **Pathum Thani Water Company Limited**

Pathum Thani Water Company Limited has outstanding long-term loans from a group of lenders formed by two local banks of Baht 2,368 million and USD 38 million. Interest on these respective loans was charged at MLR + 0.5% per annum and LIBOR + 4.5% per annum, respectively, for the period before income was earned from operations, and was to be charged at MLR + 0.125% per annum and LIBOR + 2.75% per annum, respectively, as from commencement of operations. These loans were to be repaid in semi-annual installments as from July 2001, with the final installment due not later than January 2010.

In November 2001 the banks approved Pathum Thani Water Company Limited's conversion of the US dollar portion of the loan to Baht, in accordance with the "Amendment Agreement (No. 1) to The Credit Agreement", applying an exchange rate of Baht 44.83 per USD 1.

On 23 June 2005, Pathum Thani Water Company Limited entered into the "Amendment Agreement (No. 2) to The Credit Agreement" with both lender banks in order to reschedule the loans. Under the new schedules repayment is to be made on semi-annual basis, commencing from June 2005 and with the final installment to be paid not later than December 2015.

Subsequently, on 12 October 2006, Pathum Thani Water Company Limited entered into the "Amendment Agreement to The Credit Agreement" with both lender banks, whereby the interest rate was reduced from MLR + 0.125 % per annum to MLR - 0.5% per annum as from 4 October 2006.

On 21 June 2007, Pathum Thani Water Company Limited entered into a loan agreement with a commercial bank granting new loans amounting to Baht 783 million to use for its expansion of a treated water production project. These loans carry interest at the Minimum Loan Rate (MLR) per annum for the project construction period and MLR - 0.5% per annum for the operation period. The loans are repayable in 10 semi-annual installments, with the first of these due in June 2008, and are to be repaid in full within December 2012. As at 31 December 2007, Pathum Thani Water Company Limited has drawn down Baht 700 million from this facility.

The loans of Pathum Thani Water Company Limited are secured by the mortgage of that company's land and construction thereon, the pledge of that company's fixed deposits and share certificates and share certificates in BJT Water Company Limited, the assignment of that company's rights under its concession and a construction contract, its rights to treat and distribute water, its rights to receipt of income from the Provincial Waterworks Authority, its rights to receive deposits from bank accounts, and its beneficiary rights under insurance policies.

The loan agreements contain covenants that, among other things, require that company to maintain certain financial ratio.

## **17. SHARE CAPITAL**

On 10 January 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the increase of the Company's registered share capital from Baht 3,000 million to Baht 3,250 million through the issuance of 2.5 million new ordinary shares with a par value of Baht 100 each to existing shareholders at an offer price of Baht 290 per share, or a total of Baht 725 million. The Company registered the increase in its registered share capital to Baht 3,250 million with the Ministry of Commerce on 27 February 2006.

On 23 June 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving a change in the par value of the Company's shares, such that they would be split from 32.5 million ordinary shares of Baht 100 each into 3,250 million ordinary shares of Baht 1 each. The Company registered the change in the par value of its shares with the Ministry of Commerce on 6 July 2006.

On 26 September 2006, an Extraordinary General Meeting of the Company's shareholders passed a resolution approving the increase of the Company's registered share capital from Baht 3,250 million to Baht 3,990 million through the issuance of 740 million new ordinary shares with a par value of Baht 1 each. The allocation of the additional ordinary shares is to be as follows:

- 1) 40 million ordinary shares are to be allocated and offered, in whole or in part, to directors, management, and employees of the Company and employees of WaterFlow Company Limited at a price equivalent to book value as at the latest fiscal year-end (Baht 1.2 per share). These may be offered on one or several occasions. Any ordinary shares remaining after the allocation are to be allocated by means of public offerings. These offers may be in Thailand and/or abroad and made on one or several occasions, in whole or in part. In this regard, the Board of Directors or any persons assigned by the Company's Board of Directors is granted the authority to determine the allocation of offering rights, and all details and conditions in respect of the number of ordinary shares to be offered on each occasion, the offer period, the payment of the share price and the offer price, including the allocation of any ordinary shares remaining after the offering rights and the listing of the Company's ordinary shares as securities on the Stock Exchange of Thailand.
- 2) 700 million ordinary shares are to be allocated and offered, in whole or in part, to the public. These may be offered on one or several occasions. Any shares remaining after this allocation are to be allocated, in whole or in part, by means of private placement and/or to institutional investors, in accordance with the relevant Notifications of the Securities and Exchange Commission, on one or several occasions.

In this regard, the Board of Directors or any persons assigned by the Company's Board of Directors are granted the authority to arrange all significant matters in relation to the issuance and offer of these shares, including the determination of the number of ordinary shares to be offered on each occasion, the offer period, the payment of the share price and the offer price, together with the listing of the Company's ordinary shares as securities on the Stock Exchange of Thailand.

On 24 October 2006, the Company registered an increase in its share capital to Baht 3,990 million, comprising 3,990 million ordinary shares of Baht 1 each, with the Ministry of Commerce.

On 5 October 2007, an Extraordinary General Meeting of the Company's shareholders passed a resolution confirming the allotment of the additional ordinary shares as mentioned in 1) and 2).

Subsequently, on 3 December 2007 the Company issued 40 million new ordinary shares with a par value of Baht 1 each, which it offered to directors, management, and employees of the Company and employees of WaterFlow Company Limited at an offer price of Baht 1.2 per share, or a total of Baht 48 million, with additional share premium of Baht 8 million. The Company received payment for the additional shares in December 2007 and registered the increase in its paid up share capital with the Ministry of Commerce on 18 December 2007.

However, the Company has yet to allot the shares as mentioned in 2).



## 18. STATUTORY RESERVE

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

On 10 April 2007, the Annual General Meeting of the Company's shareholders for the year 2007 approved the allocation of retained earnings of the Company amounting to Baht 347.4 million to the statutory reserve. As a result, the Company's statutory reserve amounted to Baht 399 million.

## 19. SALES OF TREATED WATER

Sales of treated water of the Company as presented in the income statements for the years ended 31 December 2007 and 2006 included revenues from the Provincial Waterworks Authority amounting to Baht 26.2 and 69.4 million, respectively, which were received because actual quantities of water purchased by the Provincial Waterworks Authority over stipulated periods of 6 months were lower than the minimum off take quantity to which it has committed under the "Water Purchase Agreement".

## 20. SELLING AND ADMINISTRATIVE EXPENSES

Selling and administrative expenses of the Company in the income statement for the year ended 31 December 2006 included the penalty amounting to Baht 22.8 million for the delay in payment of rental fee for land used for the installation of water distribution pipes.

## 21. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at end of year (persons)	226	102	43	36
Employee costs for the year (Thousand Baht)	74,924	40,482	27,192	21,252

## **22. PROMOTIONAL PRIVILEGES**

The Company has received promotional privileges from the Board of Investment for production of treated water, pursuant to the promotion certificate No. 1382(2)/2545 issued on 19 June 2002. Subject to certain imposed conditions, the main privileges include the following:

- Exemption of import duty on imported machinery under specified condition.
- Exemption from corporate income tax on net income from promoted operations for a period of eight years from the date the promoted operations commenced generating revenues (21 July 2004).

No corporate income tax was payable on the net income from non-promoted operations for the years ended 31 December 2007 and 2006, since the Company had tax loss brought forward from previous years over its net income for the years.

## **23. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year after reflecting the effect of the share split as discussed in Note 17.

## **24. FINANCIAL INFORMATION BY SEGMENT**

The Company's and the subsidiaries' operations involve a single industry segment, the production and sell of treated water and are carried on in the single geographic area of Thailand. As a result, all of the revenues, operating profits (losses) and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

## **25. PROVIDENT FUND**

The Company and its subsidiaries have established provident funds jointly with their employees in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and their employees contribute to the funds monthly at a rate of 5 percent of basic salary. The funds, which are managed by TMB Bank Public Company Limited and Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2007, the Company and the subsidiaries contributed Baht 1.6 million (the Company only: Baht 0.8 million) (2006: Baht 1.0 million, the Company only: Baht 0.6 million) to the funds.

## 26. DIVIDENDS

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	(Unit: Baht) <u>Dividend per share</u>
An interim dividend from the earnings of the promoted operations for the period from 1 July 2005 to 31 December 2005 to the shareholders listed in the share register book as at 31 December 2005.	Board of Directors' meeting on 23 January 2006 and Annual General Meeting of the Company's shareholders for the year 2006 on 24 March 2006.	94,500,000	3.15
An interim dividend from the earnings of the promoted operations for the period from 1 January 2006 to 30 June 2006 to the shareholders listed in the share register book as at 22 August 2006.	Board of Directors' meeting on 18 August 2006 and Annual General Meeting of the Company's shareholders for the year 2007 on 10 April 2007.	<u>162,500,000</u>	0.05
Total dividend for 2006		<u>257,000,000</u>	
Dividends from the earnings of the promoted operations for the period from 1 July 2006 to 31 December 2006 to the shareholders listed in the share register book as at 19 March 2007.	Annual General Meeting of the Company's shareholders for the year 2007 on 10 April 2007.	<u>162,500,000</u>	0.05
Total dividend for 2007		<u>162,500,000</u>	

## 27. COMMITMENTS AND CONTINGENT LIABILITIES

### 27.1 Capital commitments

As at 31 December 2007, the Company and its subsidiaries had capital commitments of Baht 81.8 million (the Company only: Baht 4 million) relating to construction work.

### 27.2 Service commitments and other commitments

- a) As at 31 December 2007, the Company had commitments under a service agreement with a financial advisory company and other service agreements whereby the Company is required to pay service fees totaling Baht 3.4 million. Moreover, the Company had commitments to pay underwriting fees calculated at a certain percentage of securities sales.
- b) The Company has entered into an operation and maintenance agreement with WaterFlow Company Limited, whereby the subsidiary is to manage the production and supply of treated water and maintenance. Under the conditions of the agreement, the Company is to pay service fees at a rate stipulated in the agreement.

- c) As at 31 December 2007, a subsidiary had commitments totaling Baht 4.2 million under a rental service agreement and a project management agreement with related companies, as well as under other service agreements.
- d) The Company has commitments of not more than Baht 162 million in respect of an undertaking to provide cash support to Pathun Thani Water Company Limited should that such company face a cash shortage, as stipulated in the Sponsor Support Agreement between the Company and a group of lenders of that subsidiary.

### **27.3 Bank guarantees**

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 241.3 million issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee amounting to Baht 209.6 million required under the Water Purchase Agreement with the Provincial Waterworks Authority, Baht 31.7 million to guarantee electricity use (the Company only: Baht 50 million under the Water Purchase Agreement with the Provincial Waterworks Authority and Baht 15.9 million to guarantee electricity use).

### **27.4 Litigation**

#### **The Company**

In October 2004, the Provincial Waterworks Authority filed a claim against the Company with the Thai Arbitration Institute, requesting the arbitrators to order the Company to pay all expenses related to the production and distribution of water under the Water Purchase Agreement between the Provincial Waterworks Authority and the Company.

Subsequently, in February 2005, the Company filed a statement of defense and a counterclaim against the Provincial Waterworks Authority, requesting the arbitrators to order the Provincial Waterworks Authority to pay the Department of Highways annual rental for land in a highway area used for the installation of a water mains for a local distribution network. Such rental amounted to approximately Baht 13.0 million per annum.

During the second quarter of the year 2006, the Company paid the Department of Highways rental amounting to Baht 36.1 million for land use, which it recorded as part of the cost of sales of treated water, and penalties amounting to Baht 22.8 million, which it recorded as selling and administrative expenses. No provision for loss as a result of the dispute has been set aside in the accounts since the Company's management believes that no material financial loss will result.

Subsequently, on 15 November 2007, the Company and the Provincial Waterworks Authority agreed to enter into a compromise agreement whereby the Company agreed to pay the Highway District or other entities rental and fees for use of land in a highway area for the installation of water mains for a local distribution network, as stipulated in the Water Purchase Agreement with the Provincial Waterworks Authority, for the period of such agreement.

#### **Pathum Thani Water Company Limited**

In August 2004, a person filed submitted a dispute to the Thai Justice Arbitration Institute for a decision in relation to a complaint against Pathum Thani Water Company Limited (second defendant) and the Provincial Water Authority (first defendant), claiming compensation totaling approximately Baht 64.5 million for a tort against this person in the course of the construction of a water treatment plant.

On 24 October 2006, the Arbitral Tribunal ordered the dismissal of the dispute.

Subsequently, on 20 December 2006, the person filed suit with the Administrative Court seeking to overturn the order of the Arbitral Tribunal dismissing the dispute.

However, no provision for loss from that dispute was set aside in the account since the management of Pathum Thani Water Company Limited believes that there is no material financial damage that will be arise as a result of this dispute.

#### **28. DISCOUNT ON SALES OF TREATED WATER**

The Water Purchase Agreement between the Company and the Provincial Waterworks Authority stipulates that the Company has to pay compensation to the Provincial Waterworks Authority for the cost saving as a result of the Company not being required to supply shortfall quantities. The compensation is calculated by multiplying the amount by which the actual quantity of treated water purchased is less than the minimum offtake quantity by the discount rate stipulated in the agreement. Under the agreement, compensation is to be accumulated and later paid to the Provincial Waterworks Authority by means of a deduction against treated water charges for quantities in excess of the minimum offtake quantity that the Provincial Waterworks Authority has to pay the Company, beginning when the Company has paid all indebtedness due to the lenders under the long-term loans agreement, and discharged all obligations thereunder. However, the amount of treated water purchased by the Provincial Waterworks Authority to date has been slightly more than the minimum offtake quantity. The Company's management hence believe that the probability of such compensation being paid is low. Based on the shortfalls in actual quantity of treated water purchased compared to the minimum offtake quantity, the amount of compensation calculated from the year 2004 to 2007 amounts to Baht 24 million. The Company has not recorded this as a deduction against sales in the accounts.

## 29. FINANCIAL INSTRUMENTS

### 29.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts receivable, restricted bank deposit, bank overdrafts and short-term loans, trade accounts payable, amounts due to related parties and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

#### a) Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable and there is a high concentration of risk since the Company and its subsidiaries have only one major customer, the Provincial Waterworks Authority. However, because the Provincial Waterworks Authority is a government agency, the Company and its subsidiaries do not expect to incur material financial losses. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheet.

#### b) Interest rate risk

The Company's and its subsidiaries' exposures to interest rate risk relate primarily to their cash at financial institutions, bank overdrafts and short-term loans, and long-term borrowings. However, since most of the Company's and the subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2007 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements

	Fixed interest rates					Total	Interest rate (% p.a.)
	Within	1-5 years	Over	Floating interest rate	Non- interest bearing		
	1 year		5 years				
(Million Baht)							
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	675	-	675	0.75
Current investments	847	-	-	-	-	847	2.25 - 5.25
Trade accounts receivable	-	-	-	-	293	293	-
Restricted bank deposit	184	-	-	-	-	184	2.25
	<u>1,031</u>	<u>-</u>	<u>-</u>	<u>675</u>	<u>293</u>	<u>1,999</u>	
<b>Financial liabilities</b>							
Bank overdrafts and short-term loans	-	-	-	3,005	-	3,005	MOR, MOR+0.125, MLR
Trade accounts payable	-	-	-	-	59	59	-
Amounts due to related parties	-	-	-	-	137	137	-
							MLR, MLR-0.5, MLR - 1
Long-term loans	-	-	-	10,673	-	10,673	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,678</u>	<u>196</u>	<u>13,874</u>	

Separate financial statements

	Fixed interest rates					Total	Interest rate (% p.a.)
	Within	1-5 years	Over	Floating interest rate	Non- interest bearing		
	1 year		5 years				
(Million Baht)							
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	510	-	510	0.75
Current investments	779	-	-	-	-	779	4.25 - 5.25
Trade accounts receivable	-	-	-	-	186	186	-
	<u>779</u>	<u>-</u>	<u>-</u>	<u>510</u>	<u>186</u>	<u>1,475</u>	
<b>Financial liabilities</b>							
Short-term loans	-	-	-	3,000	-	3,000	MLR
Trade accounts payable	-	-	-	-	48	48	-
Long-term loans	-	-	-	7,018	-	7,018	MLR, MLR- 1
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,018</u>	<u>48</u>	<u>10,066</u>	

**c) Foreign currency risk**

The Company and its subsidiaries do not consider themselves exposed to foreign currency risk because they have no significant foreign currency transactions, and no financial assets denominated in foreign currencies outstanding at the balance sheet date. The Company had financial liabilities denominated in foreign currencies outstanding at the balance sheet date but the amount was immaterial.

## **29.2 Fair values of financial instruments**

Since the majority of the Company's and its subsidiaries' financial assets are short-term and the significant financial liabilities of the Company and the subsidiaries comprise long-term loans bearing interest at rates close to market rates, the fair values of these financial assets and liabilities are not expected to differ materially from the amounts presented in the balance sheets.

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

## **30. RECLASSIFICATION**

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholder's equity, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

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

These financial statements were authorised for issue by the Company's Board of Directors on 11 February 2008.