

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY
REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

Review Report of Independent Auditor

To The Board of Directors and Shareholders of
Thai Tap Water Supply Company Limited

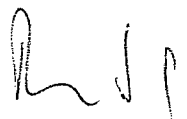
I have reviewed the accompanying consolidated balance sheet of Thai Tap Water Supply Company Limited and its subsidiary as at 31 March 2006, and the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the three-month period ended 31 March 2006, and the separate financial statements of Thai Tap Water Supply Company Limited for the same period. These financial statements are the responsibility of the Company's and its subsidiary's managements as to their correctness and the completeness of the presentation. My responsibility is to issue a report on these financial statements based on my reviews.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's and its subsidiary's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of Thai Tap Water Supply Company Limited for the year ended 31 December 2005, were audited in accordance with generally accepted auditing standards by another auditor in my office, who expressed an unqualified opinion on those statements under her report dated 23 February 2006. The balance sheet as at 31 December 2005, as presented herein for comparative purposes, formed an integral part of the financial statements which that auditor audited and reported on.

The statements of earnings, changes in shareholders' equity and cash flows of Thai Tap Water Supply Company Limited for the three-month period ended 31 March 2005, as presented herein for comparative purposes, formed an integral part of the interim financial statements which were reviewed by another auditor in my office who, under the report dated 24 August 2005, reported that nothing had come to her attention that caused her to believe that the aforementioned financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles, based on her review.



Ruth Chaowanagawi

Certified Public Accountant (Thailand) No. 3247

Ernst & Young Office Limited

Bangkok : 9 May 2006

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS

(Unit : Thousand Baht)

	Note	Consolidated	The Company Only	
		31 March 2006	31 March 2006	31 December 2005
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)
ASSETS				
CURRENT ASSETS				
Cash and deposits at financial institutions	2	369,129	324,638	387,595
Current investment	3	435,000	435,000	285,000
Trade accounts receivable		144,422	144,422	126,433
Other receivable - subsidiary	7	-	12,287	10,286
Other current assets				
Interest receivable		3,324	3,324	4,542
Prepaid expense		17,716	17,422	4,372
Others		5,650	3,562	2,215
TOTAL CURRENT ASSETS		975,241	940,655	820,443
NON-CURRENT ASSETS				
Investments accounted for under equity method				
- subsidiary	4	-	699,128	-
Property, plant and equipment, net	5	9,544,035	9,476,306	9,536,450
Other non-current assets				
Goodwill on consolidation, net		597,861	-	-
Withholding tax deducted at source		4,293	4,293	4,035
Others		159	125	36
TOTAL NON-CURRENT ASSETS		10,146,348	10,179,852	9,540,521
TOTAL ASSETS		11,121,589	11,120,507	10,360,964

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	<u>Note</u>	<u>Consolidated</u>	<u>The Company Only</u>	
		<u>31 March 2006</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable				
Related parties	7	152	27,103	85,610
Other companies		26,540	7,306	10,506
Retention for construction				
Related party	7	-	-	6,600
Other companies		2,064	2,064	2,080
Current portion of long-term loans				
from financial institutions	6	280,000	280,000	140,000
Other current liabilities				
Accrued expenses		39,717	39,411	31,943
Unbilled output tax		12,025	10,252	8,944
Value added tax payable		5,578	5,061	6,387
Corporate income tax payable		6,071	-	-
Dividend payable		94,500	94,500	-
Others		1,341	1,209	1,077
TOTAL CURRENT LIABILITIES		467,988	466,906	293,147
NON-CURRENT LIABILITIES				
Long-term loans from financial institutions,				
net of current portion	6	6,545,000	6,545,000	6,720,000
TOTAL NON-CURRENT LIABILITIES		6,545,000	6,545,000	6,720,000
TOTAL LIABILITIES		7,012,988	7,011,906	7,013,147

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	<u>Note</u>	<u>Consolidated</u>	<u>The Company Only</u>	
		<u>31 March 2006</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
		(Unaudited but reviewed)	(Unaudited but reviewed)	(Audited)
SHAREHOLDERS' EQUITY				
Share capital	8			
Registered				
32,500,000 ordinary shares of Baht 100 each				
(31 December 2005 : 30,000,000 ordinary shares				
of Baht 100 each)		3,250,000	3,250,000	3,000,000
Issued and paid up				
32,500,000 ordinary shares of Baht 100 each, fully paid				
(31 December 2005 : 30,000,000 ordinary shares				
of Baht 100 each, fully paid)		3,250,000	3,250,000	3,000,000
Share premium		475,000	475,000	-
Retained earnings				
Appropriated - statutory reserve		17,882	17,882	17,882
Unappropriated		365,719	365,719	329,935
TOTAL SHAREHOLDERS' EQUITY		4,108,601	4,108,601	3,347,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,121,589	11,120,507	10,360,964

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

.....

DIRECTORS

.....

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF EARNINGS

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2006 AND 2005

(Unit : Thousand Baht, except earnings per share expressed in Baht)

		Consolidated	The Company Only	
	Note	2006	2006	2005
REVENUES				
Sales of treated water		383,949	383,949	334,973
Interest income		2,351	2,351	-
TOTAL REVENUES		386,300	386,300	334,973
EXPENSES				
Cost of sales of treated water		132,316	137,260	124,090
Selling and administrative expenses		25,280	20,162	7,157
Share of loss from investments accounted for under equity method		-	872	-
TOTAL EXPENSES		157,596	158,294	131,247
EARNINGS BEFORE INTEREST EXPENSES AND INCOME TAX		228,704	228,006	203,726
INTEREST EXPENSES		(97,722)	(97,722)	(82,933)
CORPORATE INCOME TAX	9	(698)	-	-
NET EARNINGS FOR THE PERIOD		130,284	130,284	120,793
BASIC EARNINGS PER SHARE				
Net earnings (Baht)		4.21	4.21	4.03
Weighted average number of ordinary shares (shares)		30,937,897	30,937,897	30,000,000

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006

(Unit : Thousand Baht)

	Consolidated				
	Issued and paid-up		Retained earnings		Total
			Appropriated -	Unappropriated	
	share capital	Share premium	statutory reserve		
Balance - as at 1 January 2006	3,000,000	-	17,882	329,935	3,347,817
Issuance of additional ordinary shares (Note 8)	250,000	475,000	-	-	725,000
Net earnings for the period	-	-	-	130,284	130,284
Dividend payment (Note 10)	-	-	-	(94,500)	(94,500)
Balance - as at 31 March 2006	3,250,000	475,000	17,882	365,719	4,108,601

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2006 AND 2005

(Unit : Thousand Baht)

	The Company Only				
	Issued and paid-up		Retained earnings		Total
			Appropriated -	Unappropriated	
	share capital	Share premium	statutory reserve		
Balance - as at 1 January 2005	3,000,000	-	-	117,780	3,117,780
Net earnings for the period	-	-	-	120,793	120,793
Balance - as at 31 March 2005	3,000,000	-	-	238,573	3,238,573
Balance - as at 1 January 2006	3,000,000	-	17,882	329,935	3,347,817
Issuance of additional ordinary shares (Note 8)	250,000	475,000	-	-	725,000
Net earnings for the period	-	-	-	130,284	130,284
Dividend payment (Note 10)	-	-	-	(94,500)	(94,500)
Balance - as at 31 March 2006	3,250,000	475,000	17,882	365,719	4,108,601

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

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2006 AND 2005

(Unit : Thousand Baht)

	Consolidated	The Company Only	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
Cash flows from (used in) operating activities			
Net earnings for the period	130,284	130,284	120,793
Adjustments to reconcile net earnings to net cash provided by (paid from) operating activities :			
Depreciation	60,597	60,248	54,513
Share of loss from investments accounted for under equity method	-	872	-
Amortisation of goodwill	2,501	-	-
	<u>193,382</u>	<u>191,404</u>	<u>175,306</u>
Decrease (increase) in operating assets			
Trade accounts receivable	(17,989)	(17,989)	102,512
Other receivable - subsidiary	34,090	(2,001)	(922)
Other current assets	(11,487)	(13,437)	(10,549)
Other non-current assets	(89)	(89)	-
Increase (decrease) in operating liabilities			
Trade accounts payable - other companies	104	(3,200)	-
Trade accounts payable - related parties	(96,933)	(58,507)	(18,777)
Other current liabilities	7,777	7,582	(8,780)
Net cash from operating activities	<u>108,855</u>	<u>103,763</u>	<u>238,790</u>
Cash flows from (used in) investing activities			
Increase in current investment	(150,000)	(150,000)	-
Increase in investment in subsidiary	-	(700,000)	-
Net cash payments for acquisition of investment in subsidiary (Note 4)	(660,539)	-	-
Increase in property, plant and equipment	(167)	(105)	(76)
Increase (decrease) in retention for construction	(6,615)	(6,615)	25
Net cash used in investing activities	<u>(817,321)</u>	<u>(856,720)</u>	<u>(51)</u>

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

STATEMENTS OF CASH FLOWS (Continued)

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2006 AND 2005

(Unit : Thousand Baht)

	Consolidated	The Company Only	
	<u>2006</u>	<u>2006</u>	<u>2005</u>
Cash flows from (used in) financing activities			
Cash received from issuance of additional ordinary shares	725,000	725,000	-
Decrease in long-term loans from financial institutions	(35,000)	(35,000)	(35,000)
Net cash from (used in) financing activities	<u>690,000</u>	<u>690,000</u>	<u>(35,000)</u>
Net increase (decrease) in cash and cash equivalents	(18,466)	(62,957)	203,739
Cash and cash equivalents at beginning of period	<u>387,595</u>	<u>387,595</u>	<u>162,814</u>
Cash and cash equivalents at end of period	<u><u>369,129</u></u>	<u><u>324,638</u></u>	<u><u>366,553</u></u>
Supplemental cash flows information			
Cash paid during the period for			
Interest expenses	98,644	98,644	82,933
Corporate income tax and withholding tax deducted at source	2,019	-	-

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

(UNAUDITED BUT REVIEWED)

THAI TAP WATER SUPPLY COMPANY LIMITED AND ITS SUBSIDIARY

NOTES TO INTERIM FINANCIAL STATEMENTS

31 MARCH 2006

1. GENERAL INFORMATION

1.1 Basis for preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 "Interim financial statements", with the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheets and the statements of earnings, changes in shareholders' equity and cash flows to bring them into line with the full format used in the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events, and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.2 Basis of consolidation

The consolidated financial statements for the three-month period ended 31 March 2006 include the financial statements of Thai Tap Water Supply Company Limited (hereinafter called "the Company") and WaterFlow Company Limited (hereinafter called "the subsidiary") in which the Company has acquired in March 2006 and holds 99.99 percent interest. The subsidiary's principal activity is operating and maintenance of water supply project.

Asset of the subsidiary as included in the consolidated financial statements as at 31 March 2006 comprise 1.03 percent of the total but there are no revenues of the subsidiary included in the consolidated financial statements for the three-month period ended 31 March 2006.

Material intercompany balances and transactions and investment in subsidiary in the Company's accounts and the subsidiary's share capital are eliminated on consolidation.

Results of operations of the subsidiary have been included in the consolidated financial statements from the effective date of acquisition.

1.3 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2005, with the following additional policies have been used during the current period.

a) Investments in subsidiary

Investments in subsidiary (in the separate financial statements of the Company) are stated under the equity method of accounting. Under this method, investments are recorded at costs. For each subsequent period, investments are adjusted to incorporate the Company's proportionate share of the operating results in the subsidiary.

b) Goodwill on consolidation

Goodwill on consolidation which was incurred from the investments in subsidiary being made at costs higher than the subsidiary's net book value, is regarded as assets and amortised on a straight-line basis over a period of 20 years.

2. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

The Company has pledged its right to receive deposits from bank accounts with outstanding balances as at 31 March 2006 of approximately Baht 324.6 million (31 December 2005 : Baht 387.6 million) with a group of lenders to secure long-term loans of the Company.

3. CURRENT INVESTMENT

Current investment as at 31 March 2006 represents the six-month period fixed deposits with a local bank amounting to Baht 50 million, carrying interest at 4 percent per annum and have maturities in September 2006 and investments in certificates of deposit of another local bank amounting to Baht 385 million, which are subject to interest at a rate of 2.50 percent per annum and have maturities of 3 months and 6 months, ending in April and May 2006. The fixed deposits and the certificates of deposit are pledged with a group of lenders to secure long-term loans of the Company.

(UNAUDITED BUT REVIEWED)

4. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD - SUBSIDIARY

(Unit : Thousand Baht)

The Company Only					
As at 31 March 2006					
Company's name	Percentage				
	Paid-up	owned by	Investment		
	Capital	the Company	Cost	Equity	Dividend
Percent					
WaterFlow Company Limited	10,000	99.99	700,000	699,128	-
			700,000	699,128	-

WaterFlow Company Limited

On 27 February 2006, the Company invested in 100,000 ordinary shares of WaterFlow Company Limited, or equivalent to 99.99 percent of share capital of that company, at value of Baht 7,000 each, totaling of Baht 700,000,000.

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

(Unit : Thousand Baht)

Cash and cash equivalents	39,461
Accounts receivable	23,804
Other current assets	4,331
Other non-current assets	34
Property plant and equipment	68,015
Trade accounts payable	(27,404)
Other current liabilities	(8,604)
Total net assets	99,637
Add : Goodwill on consolidation	600,363
Cash payments for acquisition of investment in subsidiary	700,000
Less : Cash and cash equivalents of investment in subsidiary	(39,461)
Net cash payments for acquisition of investment in subsidiary	660,539

(UNAUDITED BUT REVIEWED)

5. PROPERTY, PLANT AND EQUIPMENT

The Company has mortgaged land and assets for production of treated water with a group of lenders to secure the loan facilities obtained from the group of lenders.

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

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

These loans are secured by the mortgage of the Company's land and construction thereon, the pledge of the Company's share certificates, its rights under the sales of treated water contract, its rights to receive deposits from bank accounts, its rights to receive benefit from insurance policies.

(UNAUDITED BUT REVIEWED)

As at 31 March 2006, the Company had classified the amount of Baht 280 million as the current portion of its long-term loans from financial institutions. These amounts include 1.5 percent of loans, or the amount of Baht 105 million, which are scheduled for repayment in 2006 and 2.5 percent of loans, or the amount of Baht 175 million, which are scheduled for repayment in 2007.

7. RELATED PARTY TRANSACTIONS

During the periods, the Company had significant business transactions with its related parties (related by way of shareholding or common shareholders and/or common directors). Such transactions, which have been concluded on the terms and basis as determined by the Company and those related parties, are under the normal course of business of the Company. The transactions are summarised belows :

(Unit : Million Baht)

	Consolidated	The Company Only		
	For the three-month period ended 31 March	For the three-month periods ended 31 March		Pricing policy
	2006	2006	2005	
Cost of production of treated water	45.5	70.8	64.8	Based on contract
Management fees	-	-	1.1	Agreed between parties
Directors' remuneration	2.3	2.3	0.2	Resolution of Board of Director meeting

The outstanding balances of the above transactions have been shown as separate items in the balance sheets as follows :

(Unit : Thousand Baht)

	Consolidated	The Company Only	
	31 March 2006	31 March 2006	31 December 2005
<u>Other receivable - subsidiary</u>			
- WaterFlow Company Limited	-	12,287	10,286
	-	12,287	10,286

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

	Consolidated	The Company Only	
	31 March 2006	31 March 2006	31 December 2005
<u>Trade payables - related parties</u>			
<u>Subsidiary</u>			
- WaterFlow Company Limited	-	27,103	21,861
	-	27,103	21,861
<u>Related parties</u>			
- CH. Karnchang Public Company Limited	-	-	63,749
- BJT Water Company Limited	152	-	-
	152	-	63,749
	152	27,103	85,610
<u>Retention for construction - related party</u>			
- CH. Karnchang Public Company Limited	-	-	6,600
	-	-	6,600

8. SHARE CAPITAL

On 10 January 2006, an extraordinary general meeting of the Company's shareholders approved 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 at par value of Baht 100 each to existing shareholders at an offer price of Baht 290 per share, totaling of Baht 725 million. The Company registered the above increase in its registered share capital to Baht 3,250 million with the Ministry of Commerce on 27 February 2006.

9. CORPORATE INCOME TAX

No corporate income tax is payable on net earnings on non-promoted operations for the three-month period ended 31 March 2006 since tax loss brought forward from previous years exceeds net earnings for the period.

Corporate income tax of subsidiary, as included in the consolidated financial statements for the three-month periods ended 31 March 2006, have been calculated at a rate of 30 percent of net earnings after adding back certain expenses which are disallowable for tax computation purposes.

10. DIVIDEND PAYMENT

On 23 January 2006, the Board of Directors' Meeting No.1/2006 passed resolutions approving the payment of interim dividends for the period as from 1 July 2005 to 31 December 2005 at the rate of Baht 3.15 per share, totaling Baht 94.5 million, to the shareholders whose names are listed on the Share Register Book as at 31 December 2005, whereby the Company shall pay such interim dividends on 19 May 2006.

11. PROMOTIONAL PRIVILEGES

The Company was granted the promotional privileges under Thai Investment Promotion Act B.E. 2520 approved by the Board of Investment under certificates No. 1382(2)/2545, dated 19 June 2002, for production of treated water. Subject to certain imposed conditions, the main privileges include the following :

- Exemption of import duty on imported machinery according to specified condition.
- Exemption from corporate income tax on earnings from promotional privileges operation for a period of eight years from the date on which operating income is first derived.

12. BANK GUARANTEES

As at 31 March 2006, there were outstanding bank guarantees of Baht 61.0 million (31 December 2005 : Baht 61.0 million) issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business of the Company.

13. DISCOUNT ON SALES OF TREATED WATER/DISCOUNT FROM PURCHASE OF TREATED WATER

13.1) The Water Purchase and Sale Agreement between the Company and the Provincial Waterworks Authority stipulates that the Company has to grant a 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 until the Company has paid all indebtedness due to the lender under the long-term loans agreement, and discharged all obligations thereunder. Thereafter, the Company is to pay the accrued compensation to the Provincial Waterworks Authority by means of a deduction from the treated water charges the Provincial Waterworks Authority has to pay the Company. However, the Company's management

(UNAUDITED BUT REVIEWED)

believes that the probability that contingent liabilities to be paid to the Provincial Waterworks Authority in the future is rarely to be occurred. The Company does not record such compensation as a discount payment on sales of treated water in the account.

13.2) The Operation and Maintenance Agreement between the Company and a subsidiary stipulates that the subsidiary is to grant a compensation to the Company for the cost saving as a result of the subsidiary 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, the compensation is to be accumulated until the Company has paid all indebtedness due to the lender under the long-term loans agreement, and discharged all obligations thereunder. Thereafter, the subsidiary is to pay the accrued compensation to the Company by means of a deduction from the treated water charges the Company has to pay the subsidiary. However, the Company's management believes that the probability that subsidiary will has to pay this compensation to the Company in the future is rarely to be occurred. The Company does not record such compensation as a discount received from purchase of treated water in the account.

14. LITIGATION

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

In February 2005, the Company filed a statement of defense and counterclaim against the Provincial Waterworks Authority requesting the arbitrators to order the Provincial Waterworks Authority to pay an annual rental fee for land used for the installation of a water main in a highway area for a Local Distribution Network (amounted of approximately Baht 13 million per annum).

At present, both parties are under negotiation in order to find amicable solution to the matter in dispute. The arbitration proceedings have not yet commenced.

However, no provision for loss as a result of the dispute was set aside in the accounts since the Company's management believes that no material financial damage will result.