

Thai Tap Water Supply Public Company Limited
and its subsidiaries
Report and consolidated financial statements
31 December 2009 and 2008

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 2009 and 2008, 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 2009 and 2008, the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok: 5 February 2010

Thai Tap Water Supply Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents		2,285,587,568	868,935,254	1,740,130,052	662,386,195
Current investments		1,084,842,552	281,649,081	1,084,842,552	299,313,882
Restricted bank deposits		-	257,675,630	-	-
Trade accounts receivable	7	384,018,525	346,797,578	255,746,702	232,699,978
Other receivable - related parties	6	21,558	89,376	138,558	4,689,068
Current portion of long-term loans to related party and interest receivable	6	-	-	310,601,295	-
Raw materials and supplies	8	22,503,474	18,325,519	13,729,929	9,769,627
Advance payment for construction					
Related party	6	41,452,975	95,838,900	41,452,975	95,838,900
Unrelated party		48,724,059	-	48,724,059	-
Other current assets					
Interest receivable		3,469,124	3,756,494	3,469,124	3,742,395
Refundable input tax, net		10,707,702	-	17,310,709	-
Prepaid expenses		12,476,924	20,019,186	8,309,429	13,749,124
Withholding tax deducted at source		17,650,465	33,951,607	1,016,992	302,392
Others		35,996,603	13,958,434	33,337,335	9,947,176
Total current assets		3,947,451,529	1,940,997,059	3,558,809,711	1,332,438,737
Non-current assets					
Long-term loans to related party, net of current portion	6	-	-	2,712,500,000	-
Investments in subsidiaries	9	-	-	4,131,841,866	4,353,336,014
Property, plant and equipment, net	10	9,125,396,830	8,925,500,387	9,056,195,998	8,854,282,058
Assets for production of treated water that must be transferred at end of concession, net	11	3,884,248,162	4,134,413,210	-	-
Rights to produce and sell treated water and treat waste water, net	12	1,400,318,539	-	1,400,318,539	-
Rights to produce and sell treated water, net	13	2,689,191,996	2,884,138,387	-	-
Other non-current assets					
Withholding tax deducted at source		10,336,429	2,559,642	1,079,618	777,227
Others		7,313,699	7,024,689	6,893,035	6,664,877
Total non-current assets		17,116,805,655	15,953,636,315	17,308,829,056	13,215,060,176
Total assets		21,064,257,184	17,894,633,374	20,867,638,767	14,547,498,913

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts		-	353,722	-	-
Trade accounts payable					
Related party	6	-	-	3,420,284	2,506,683
Unrelated parties		40,612,258	49,207,679	29,480,176	37,643,710
Amounts due to related parties	6	29,803,369	102,580,543	29,763,331	102,547,623
Other payable					
Related party	6, 12	214,000,000	-	214,000,000	-
Unrelated parties		18,861,072	6,696,005	14,501,163	-
Retention payable					
Related party	6	7,900,746	-	7,900,746	-
Unrelated parties		8,984,832	3,897,435	8,686,235	3,598,644
Current portion of long-term loans					
from financial institutions	14	420,000,000	1,103,955,215	420,000,000	598,955,215
Other current liabilities					
Accrued interest		112,085,535	2,112,241	112,085,535	2,112,241
Accrued expenses		56,878,867	42,923,288	29,549,735	16,937,339
Unbilled output tax		25,481,558	21,839,583	16,745,620	13,969,187
Value added tax payable		-	13,139,877	-	11,846,754
Corporate income tax payable		64,153,394	-	-	-
Others		6,273,466	6,152,938	4,012,496	2,227,050
Total current liabilities		1,005,035,097	1,352,858,526	890,145,321	792,344,446
Non-current liabilities					
Retention - subsidiary	6	-	-	5,000,000	5,000,000
Long-term other payable - related party	6, 12	214,000,000	-	214,000,000	-
Debentures, net	15	6,988,482,316	-	6,988,482,316	-
Long-term loans from financial institutions, net of current portion	14	4,162,000,000	8,205,390,504	4,162,000,000	5,390,596,937
Total non-current liabilities		11,364,482,316	8,205,390,504	11,369,482,316	5,395,596,937
Total liabilities		12,369,517,413	9,558,249,030	12,259,627,637	6,187,941,383

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 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Shareholders' equity					
Share capital					
Registered					
3,990,000,000 ordinary shares of Baht 1 each		<u>3,990,000,000</u>	<u>3,990,000,000</u>	<u>3,990,000,000</u>	<u>3,990,000,000</u>
Issued and fully paid up					
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
Share premium		2,637,769,601	2,637,769,601	2,637,769,601	2,637,769,601
Retained earnings					
Appropriated - statutory reserve	16	399,000,000	399,000,000	399,000,000	399,000,000
Appropriated - other reserve	17	172,450,096	72,446,825	172,450,096	72,446,825
Unappropriated		2,067,968,638	1,811,236,880	1,408,791,433	1,260,341,104
Difference on reorganization of business					
of group companies		<u>(600,362,866)</u>	<u>(600,362,866)</u>	<u>-</u>	<u>-</u>
Equity attributable to the company's shareholders		8,666,825,469	8,310,090,440	8,608,011,130	8,359,557,530
Minority interest - equity attributable to minority					
shareholders of subsidiaries		<u>27,914,302</u>	<u>26,293,904</u>	<u>-</u>	<u>-</u>
Total shareholders' equity		<u>8,694,739,771</u>	<u>8,336,384,344</u>	<u>8,608,011,130</u>	<u>8,359,557,530</u>
Total liabilities and shareholders' equity		<u>21,064,257,184</u>	<u>17,894,633,374</u>	<u>20,867,638,767</u>	<u>14,547,498,913</u>
		-	-	-	-

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

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 Directors

Thai Tap Water Supply Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2009 and 2008

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Revenues					
Sales of treated water	18	3,993,848,075	3,569,255,805	2,646,617,194	2,355,871,315
Service income		54,607,843	36,009,815	12,547,248	-
Interest income		14,969,951	30,592,704	29,758,433	22,202,462
Dividend income	9	-	-	293,993,325	97,958,576
Other income		3,651,478	2,933,286	7,593,100	1,620,208
Total revenues		4,067,077,347	3,638,791,610	2,990,509,300	2,477,652,561
Expenses					
Cost of sales of treated water and service		1,198,555,159	1,176,902,482	682,683,499	629,396,152
Administrative expenses		154,974,067	127,335,279	114,350,426	95,609,602
Management benefit expenses	6	52,613,818	40,900,338	32,898,658	22,208,220
Amortisation of investments in subsidiaries	9	-	-	221,494,148	222,100,981
Amortisation of rights to produce and sell treated water and treat waste water	12	9,756,047	-	9,756,047	-
Amortisation of rights to produce and sell treated water	13	194,946,391	195,480,491	-	-
Total expenses		1,610,845,482	1,540,618,590	1,061,182,778	969,314,955
Income before finance cost and corporate income tax		2,456,231,865	2,098,173,020	1,929,326,522	1,508,337,606
Finance cost		(666,999,122)	(728,698,639)	(443,980,743)	(508,304,897)
Income before corporate income tax		1,789,232,743	1,369,474,381	1,485,345,779	1,000,032,709
Corporate income tax	20, 25	(187,978,462)	(2,132,777)	-	-
Net income for the year		1,601,254,281	1,367,341,604	1,485,345,779	1,000,032,709
Net income attributable to:					
Equity holders of the parent		1,593,627,208	1,358,407,761	1,485,345,779	1,000,032,709
Minority interests of the subsidiaries		7,627,073	8,933,843		
		<u>1,601,254,281</u>	<u>1,367,341,604</u>		
Earnings per share					
21					
Basic earnings per share					
Net income attributable to equity holders of the parent		0.40	0.37	0.37	0.27
Weighted average number of ordinary shares (shares)		3,990,000,000	3,718,415,300	3,990,000,000	3,718,415,300

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 2009 and 2008

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities				
Net income before tax	1,789,232,743	1,369,474,381	1,485,345,779	1,000,032,709
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	598,639,102	582,220,464	338,382,611	328,503,885
Amortisation of investments in subsidiaries	-	-	221,494,148	222,100,981
Amortisation of rights to produce and sell treated water	194,946,391	195,480,491	-	-
Amortisation of rights to produce and sell treated water and treat waste water	9,756,047	-	9,756,047	-
Gain on sales of equipment	(439,782)	(1,270,371)	(24,177)	(256,457)
Dividend income from subsidiary	-	-	(293,993,325)	(97,958,576)
Interest expenses	482,151,914	702,381,019	326,386,160	485,892,271
Income from operating activities before changes in operating assets and liabilities	3,074,286,415	2,848,285,984	2,087,347,243	1,938,314,813
Operating assets (increase) decrease				
Trade accounts receivable	(37,220,947)	(54,093,049)	(23,046,724)	(46,757,411)
Other receivable - related parties	67,818	(73,488)	4,550,510	-
Raw materials and supplies	(4,177,955)	(4,208,438)	(3,960,302)	(2,722,459)
Other current assets	(7,519,246)	34,945,272	(11,589,195)	14,196,163
Other non-current assets	(289,010)	(1,476,886)	(228,158)	(1,473,887)
Operating liabilities increase (decrease)				
Trade accounts payable - related party	-	-	913,601	(2,133,020)
Trade accounts payable - unrelated parties	(8,595,421)	(9,689,038)	(8,163,534)	(5,518,685)
Amounts due to related parties	(102,072,219)	(105,706,221)	(102,079,337)	-
Other payable - unrelated parties	(2,336,096)	6,696,005	-	-
Other current liabilities	11,181,213	7,007,224	5,327,521	2,544,753
Cash flows from operating activities	2,923,324,552	2,721,687,365	1,949,071,625	1,896,450,267
Cash paid for interest expenses	(368,559,706)	(714,868,601)	(212,793,951)	(490,750,811)
Cash paid for corporate income tax	(115,300,713)	(25,173,301)	(1,016,992)	(302,392)
Net cash flows from operating activities	2,439,464,133	1,981,645,463	1,735,260,682	1,405,397,064

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 2009 and 2008

(Unit: Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash flows from investing activities				
Decrease (increase) in current investments	(803,193,471)	463,653,215	(785,528,670)	444,884,118
Decrease (increase) in restricted bank deposits	257,675,630	(73,192,641)	-	-
Decrease in advance payment for construction - related party	54,385,925	42,592,517	54,385,925	-
Increase in advance payment for construction - unrelated party	(48,724,059)	-	(48,724,059)	-
Increase in long-term loans to related party	-	-	(3,100,000,000)	-
Decrease in long-term loans to related party	-	-	77,500,000	-
Increase in property, plant and equipment	(461,647,602)	(67,033,899)	(455,322,082)	(59,610,976)
Increase in assets for production of treated water that must be transferred at end of concession	(2,359,605)	(114,408,207)	-	-
Acquisition of rights to produce and sell of treated water and treat waste water	(1,010,074,585)	-	(1,010,074,585)	-
Interest expense capitalised as part of assets	(37,179,026)	(30,368,052)	(37,179,026)	-
Proceeds from disposal of equipment	1,051,726	3,707,266	24,942	654,325
Dividend received from subsidiary	-	-	293,993,325	97,958,576
Increase (decrease) in retention payable	12,988,143	(531,165)	12,988,336	1,084,210
Net cash flows from (used in) investing activities	<u>(2,037,076,924)</u>	<u>224,419,034</u>	<u>(4,997,935,894)</u>	<u>484,970,253</u>
Cash flows from financing activities				
Net cash received from issuance of additional ordinary shares	-	2,854,769,600	-	2,854,769,600
Decrease in bank overdrafts and short-term loans from financial institutions	(353,722)	(3,004,482,418)	-	(3,000,000,000)
Increase in long-term loans from financial institutions	4,672,000,000	83,000,000	4,672,000,000	-
Decrease in long-term loans from financial institutions	(9,399,345,719)	(1,446,766,571)	(6,079,552,152)	(1,028,757,748)
Net cash received from issuance of debentures	6,984,863,400	-	6,984,863,400	-
Dividend paid for minority interest	(6,006,675)	(2,001,422)	-	-
Dividend paid	(1,236,892,179)	(598,498,845)	(1,236,892,179)	(598,498,845)
Net cash flows from (used in) financing activities	<u>1,014,265,105</u>	<u>(2,113,979,656)</u>	<u>4,340,419,069</u>	<u>(1,772,486,993)</u>
Net increase in cash and cash equivalents	1,416,652,314	92,084,841	1,077,743,857	117,880,324
Cash and cash equivalents at beginning of year	868,935,254	776,850,413	662,386,195	544,505,871
Cash and cash equivalents at end of year	<u>2,285,587,568</u>	<u>868,935,254</u>	<u>1,740,130,052</u>	<u>662,386,195</u>
	-	-	-	-

Supplemental cash flows information

Non-cash transactions

Increase in assets for production of treated water that

must be transferred at end of concession from

amounts due to related party

- 22,300,637 - -

Increase in property, plant and equipment from

amounts due to related parties and other payable

43,796,208 - 43,796,208 -

Transfer other current assets to construction in progress

4,000,000 - 4,000,000 -

Increase in rights to produce and sell of

treated water and treat waste water from other payable

and long-term other payable - related party

428,000,000 - 428,000,000 -

Thai Tap Water Supply Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2009 and 2008

(Unit: Baht)

Consolidated financial statements									
Equity attributable to the parent's shareholders									
	Retained earnings					Difference on reorganization of business of group companies	Total equity attributable to the parent's shareholders	Minority interest - equity attributable to minority shareholders of subsidiaries	Total
	Issued and paid-up share capital	Share premium	Appropriated - statutory reserve	Appropriated - other reserve	Unappropriated				
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	1,123,774,789	(600,362,866)	4,695,411,923	19,361,483	4,714,773,406
Net income for the year	-	-	-	-	1,358,407,761	-	1,358,407,761	8,933,843	1,367,341,604
Dividend paid (Note 24)	-	-	-	-	(598,498,845)	-	(598,498,845)	-	(598,498,845)
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	72,446,825	(72,446,825)	-	-	-	-
Share capital issued	700,000,000	2,154,769,601	-	-	-	-	2,854,769,601	-	2,854,769,601
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(2,001,422)	(2,001,422)
Balance as at 31 December 2008	<u>3,990,000,000</u>	<u>2,637,769,601</u>	<u>399,000,000</u>	<u>72,446,825</u>	<u>1,811,236,880</u>	<u>(600,362,866)</u>	<u>8,310,090,440</u>	<u>26,293,904</u>	<u>8,336,384,344</u>
Balance as at 31 December 2008	3,990,000,000	2,637,769,601	399,000,000	72,446,825	1,811,236,880	(600,362,866)	8,310,090,440	26,293,904	8,336,384,344
Net income for the year	-	-	-	-	1,593,627,208	-	1,593,627,208	7,627,073	1,601,254,281
Dividend paid (Note 24)	-	-	-	-	(1,236,892,179)	-	(1,236,892,179)	-	(1,236,892,179)
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	100,003,271	(100,003,271)	-	-	-	-
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(6,006,675)	(6,006,675)
Balance as at 31 December 2009	<u>3,990,000,000</u>	<u>2,637,769,601</u>	<u>399,000,000</u>	<u>172,450,096</u>	<u>2,067,968,638</u>	<u>(600,362,866)</u>	<u>8,666,825,469</u>	<u>27,914,302</u>	<u>8,694,739,771</u>

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 2009 and 2008

(Unit: Baht)

	Separate financial statements					Total
	Issued and paid-up		Retained earnings			
	share capital	Share premium	Appropriated - statutory reserve	Appropriated - other reserve	Unappropriated	
Balance as at 31 December 2007	3,290,000,000	483,000,000	399,000,000	-	931,254,065	5,103,254,065
Net income for the year	-	-	-	-	1,000,032,709	1,000,032,709
Dividend paid (Note 24)	-	-	-	-	(598,498,845)	(598,498,845)
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	72,446,825	(72,446,825)	-
Share capital issued	700,000,000	2,154,769,601	-	-	-	2,854,769,601
Balance as at 31 December 2008	<u>3,990,000,000</u>	<u>2,637,769,601</u>	<u>399,000,000</u>	<u>72,446,825</u>	<u>1,260,341,104</u>	<u>8,359,557,530</u>
Balance as at 31 December 2008	3,990,000,000	2,637,769,601	399,000,000	72,446,825	1,260,341,104	8,359,557,530
Net income for the year	-	-	-	-	1,485,345,779	1,485,345,779
Dividend paid (Note 24)	-	-	-	-	(1,236,892,179)	(1,236,892,179)
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	100,003,271	(100,003,271)	-
Balance as at 31 December 2009	<u>3,990,000,000</u>	<u>2,637,769,601</u>	<u>399,000,000</u>	<u>172,450,096</u>	<u>1,408,791,433</u>	<u>8,608,011,130</u>

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 2009 and 2008

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

On 29 December 2008, the Company entered into an amendment of the Water Purchase Agreement made with the PWA. Under this amendment, the Company agrees to sell treated water in addition to that under original agreement within 660 days commencing from the date in the amendment, in the quantity and at the price stipulated in the agreement.

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 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from Thai language financial statements.

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

2.2 Basis of consolidation

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

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	
			2009	2008	2009	2008	2009	2008
			Percent	Percent	Percent	Percent	Percent	Percent
WaterFlow Company Limited	Operating and maintenance of water supply project	Thailand	100	100	0.32	0.37	0.07	-
Pathum Thani Water Company Limited	Production and sale of treated water in Pathumthani	Thailand	98	98	21.28	25.87	33.19	33.61
BJT Water Company Limited (100 percent held by Pathum Thani Water Company Limited)	Operating and maintenance of water supply project	Thailand	98 (Indirect holding)	98 (Indirect holding)	0.27	0.33	1.05	1.02

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

- 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

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to these financial statements reflect such change.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3.1 Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year

Framework for the Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale
and Discontinued Operations

Accounting Treatment Guidance for Leasehold Right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for Leasehold Right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007) will not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
TAS 24 (revised 2007)	Related Party Disclosures	1 January 2011
TAS 40	Investment Property	1 January 2011

However, TAS 24 (revised 2007) and TAS 40 allows early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenues recognition

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.

Service income

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

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Dividends

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

4.2 Cash and cash equivalents

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

4.3 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 debt aging.

4.4 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.

4.5 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 is engaged in business under the agreement for the production and sale of treated water with the Provincial Waterworks Authority and concessions granted by state enterprises or government agencies, which have defined fixed periods of operation, as stipulated in the agreement and 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 the agreement and concessions, and are amortised on a straight-line basis over the remaining periods of the agreements, commencing from the date of investment in the subsidiary. This amortised amount is presented as amortisation of investments in subsidiary, and recognised as an 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.

4.6 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:

$$\begin{aligned} \text{Depreciation for the period} &= \text{Net assets for production of treated water at the beginning of} \\ &\quad \text{period} \times \text{Percentage of treated water produced in the period} \\ \\ \text{Percentage of treated water} &= \frac{\text{Current period's actual production of treated water}}{\text{(Actual production of treated water for the period} + \text{Projected total production} \\ \text{produced in the period} &\quad \text{of treated water over the remaining term of the Water Purchase Agreement)}} \\ \\ \text{Net assets for production of} &= \text{Total assets for production of treated water} - \text{Accumulated depreciation} \\ \text{treated water as at the} &\quad \text{as at the beginning of the period} \\ \text{beginning of the period} & \end{aligned}$$

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.

4.7 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 must 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 and any impairment losses. 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 that must be transferred at end of concession as 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.

4.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.9 Rights to produce and sell treated water and treat waste water

The Company recorded cost of rights to produce and sell treated water and treat waste water ("Operation rights") at cost as at the acquisition date, and allocated such cost in line with forecasted revenues calculated as at the acquisition date.

4.9.1 Rights to produce and sell treated water

Rights to produce and sell treated water are stated at cost less accumulated amortisation and any impairment losses. Amortisation of the rights is calculated using the units-of-production method, based on the following formula:

$$\begin{aligned} \text{Amortisation for the period} &= \text{Net rights to produce and sell treated water as at the beginning of} \\ &\quad \text{period} \times \text{Percentage of treated water produced in the period} \\ \\ \text{Percentage of treated water} &= \frac{\text{Current period's actual production of treated water}}{\text{(Actual production of treated water for the period} \\ \text{produced in the period} &\quad \text{+ Projected total production} \\ &\quad \text{of treated water over the remaining term of operation rights)}} \\ \\ \text{Net rights to produce and sell} &= \text{Total rights to treated water - Accumulated amortisation as at the beginning of} \\ \text{treated water as at} &\quad \text{the period} \\ \text{beginning of the period} & \end{aligned}$$

Amortisation is included in determining income.

4.9.2 Rights to treat waste water

Rights to treat waste water are stated at cost less accumulated amortisation and any impairment losses. Amortisation of the rights is calculated using the units-of-production method, based on the following formula:

$$\begin{aligned} \text{Amortisation for the period} &= \text{Net rights to treat waste water as at the beginning of} \\ &\quad \text{period} \times \text{Percentage of waste water treated in the period} \\ \\ \text{Percentage of waste water} &= \frac{\text{Current period's actual treatment of waste water}}{\text{(Actual treatment of wasted water for the period} \\ \text{treated in the period} &\quad \text{+ Projected total treatment} \\ &\quad \text{of waste water over the remaining term of operation rights)}} \\ \\ \text{Net rights to treat waste} &= \text{Total rights to treat waste water - Accumulated amortisation as at the} \\ \text{water as at beginning of the} &\quad \text{beginning of the period} \\ \text{period} & \end{aligned}$$

Amortisation is included in determining income.

4.10 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 carried at cost less any accumulated amortization and any impairment losses.

The Company amortises it on a straight-line basis over the remaining period of the subsidiary's agreement for the production and sale of treated water, starting from the acquisition date, (approximately 16 years) and tested for impairment whenever there is an indication that it may be impaired. The amortization period and the amortization method for rights to produce and sell treated water are reviewed at least at each financial year end. The amortization expense is charged to the income statement.

4.11 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.

4.12 Impairment of assets

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. The Company also carries out annual impairment reviews in respect of rights to produce and sell treated water. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.13 Employee benefits

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

4.14 Income tax

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

5. Use of accounting estimates

The 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. Such transactions, which are summarized below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Transfer Pricing Policy
	financial statements	financial statements	financial statements	financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Other income	-	-	7.5	1.3	Based on contract
Interest income	-	-	19.4	-	Minimum Loan Rate minus stipulated margin per annum
Cost of sales and services	-	-	36.4	28.7	Based on contract
Administrative expenses	-	-	0.8	-	Based on contract
<u>Transactions with related parties</u>					
Service fee	0.8	0.8	-	-	Based on contract
Construction in progress	362.6	-	362.6	-	Based on contract
Assets for production of treated water that must be transferred at end of concession					
	-	77.8	-	-	Based on contract
Acquisition of rights to operate and sell treated water and treat waste water					
	1,400	-	1,400	-	Based on contract

The balances of the accounts as at 31 December 2009 and 2008 between the Company and those related companies are as follows:

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
(Unit: Baht)				
<u>Other receivable - related parties</u>				
<u>Subsidiary</u>				
- WaterFlow Company Limited	-	-	117,000	4,689,068
	-	-	117,000	4,689,068
<u>Related companies</u>				
- CH. Karnchang Public Company Limited	-	89,376	-	-
- Others	21,558	-	21,558	-
	21,558	89,376	21,558	-
	21,558	89,376	138,558	4,689,068
<u>Long-term loans to related party and interest receivable</u>				
<u>Subsidiary</u>				
Pathum Thani Water Company Limited				
Loan	-	-	3,022,500,000	-
Interest	-	-	601,295	-
Total	-	-	3,023,101,295	-
Less: current portion and interest receivable	-	-	(310,601,295)	-
Long-term loans to related party - net	-	-	2,712,500,000	-
<u>Advance payment for construction - related party</u>				
- CH. Karnchang Public Company Limited	41,452,975	95,838,900	41,452,975	95,838,900
	41,452,975	95,838,900	41,452,975	95,838,900
<u>Trade accounts payable - related party</u>				
<u>Subsidiary</u>				
- WaterFlow Company Limited	-	-	3,420,284	2,506,683
	-	-	3,420,284	2,506,683
<u>Amounts due to related parties</u>				
<u>Subsidiary</u>				
- Pathum Thani Water Company Limited	-	-	188,097	-
	-	-	188,097	-
<u>Related companies</u>				
- CH. Karnchang Public Company Limited	29,335,406	102,580,543	29,295,045	102,547,623
- Bangpa-in Land Development Company Limited	467,963	-	280,189	-
	29,803,369	102,580,543	29,575,234	102,547,623
	29,803,369	102,580,543	29,763,331	102,547,623

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<u>Other payable - related party</u>				
- Bangpa-in Land Development Company Limited	214,000,000	-	214,000,000	-
	214,000,000	-	214,000,000	-
<u>Retention - related party</u>				
- CH. Kamchang Public Company Limited	7,900,746	-	7,900,746	-
	7,900,746	-	7,900,746	-
<u>Retention - subsidiary</u>				
- WaterFlow Company Limited	-	-	5,000,000	5,000,000
	-	-	5,000,000	5,000,000
<u>Long-term other payable - related party</u>				
- Bangpa-in Land Development Company Limited	214,000,000	-	214,000,000	-
	214,000,000	-	214,000,000	-

During 2009, movements of long-term loans to related party were as follow:

(Unit: Baht)

	Separate financial statements			Balance as at 31 December 2009
	Balance as at 1 January 2009	During the year		
		Increase	Decrease	
Long-term loans				
- Pathum Thani Water Company Limited				
Loan	-	3,100,000,000	(77,500,000)	3,022,500,000
Interest	-	19,411,021	(18,809,726)	601,295
	-	3,119,411,021	(96,309,726)	3,023,101,295

Long-term loans to related party were subject to interest at the Minimum Loan Rate minus a stipulated margin per annum. Repayment is to be made in quarterly installments and due in full within September 2019.

Directors and management's remuneration

In 2009 the Company and the subsidiaries paid salaries, bonus, meeting allowance and gratuities to their directors and management totaling Baht 52.6 million (Separate financial statements: Baht 32.9 million) (2008: Baht 40.9 million, Separate financial statements: Baht 22.2 million).

7. Trade accounts receivable

As at 31 December 2009 and 2008, the outstanding balances of trade accounts receivable was over due less than 3 months.

8. Raw materials and supplies

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Raw materials	4,786,864	4,405,595	2,937,284	2,205,907
Spare parts	17,716,610	13,919,924	10,792,645	7,563,720
Total	<u>22,503,474</u>	<u>18,325,519</u>	<u>13,729,929</u>	<u>9,769,627</u>

9. Investments in subsidiaries

(Unit: Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding		Investments at cost		Dividend received for the year	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Million	Million	Percent	Percent				
WaterFlow Company Limited	10	10	100	100	700,000,000	700,000,000	-	-
Pathum Thani Water Company Limited and its subsidiary	1,200	1,200	98	98	<u>3,998,309,900</u>	<u>3,998,309,900</u>	<u>293,993,325</u>	<u>97,958,576</u>
					<u>4,698,309,900</u>	<u>4,698,309,900</u>	<u>293,993,325</u>	<u>97,958,576</u>
Less: Accumulated amortisation of investments in subsidiaries					(546,468,034)	(324,973,886)	-	-
Less: Dividend received from income before purchase of shares					<u>(20,000,000)</u>	<u>(20,000,000)</u>	<u>-</u>	<u>-</u>
Total					<u>4,131,841,866</u>	<u>4,353,336,014</u>	<u>293,993,325</u>	<u>97,958,576</u>

During the year, the Company received dividend from Pathum Thani Water Company Limited amounting to Baht 294.0 million according to the resolution of the Board of Directors Meetings of Pathum Thani Water Company Limited on 29 October 2009.

Business combination of subsidiaries

On 30 September 2009, a meeting of the Company's Board of Directors passed a resolution to approve the restructuring of the group of the Company by combining the business of its two subsidiaries, WaterFlow Company Limited and BJT Water Company Limited. The new company will receive the assets, liabilities, rights and obligations of the two subsidiaries, and the business combination process will be completed in January 2010.

10. Property, plant and equipment

(Unit: Baht)

Consolidated financial statements								
	Land	Assets for production of treated water	Construction in progress	Building and building improvement	Furniture and office Equipment	Motor vehicles	Tools	Total
Cost:								
31 December 2008	452,264,402	9,546,709,065	57,223,738	9,893,267	49,914,445	31,497,138	20,756,675	10,168,258,730
Reclassification	-	-	-	-	(1,287,578)	-	-	(1,287,578)
Additions	-	-	537,050,317	-	6,607,145	2,611,289	354,085	546,622,836
Disposals/ written off	-	-	-	-	(589,138)	(1,663,005)	(2,756,700)	(5,008,843)
Transfer in (out)	-	-	(31,646,943)	405,238	29,241,705	-	2,000,000	-
31 December 2009	452,264,402	9,546,709,065	562,627,112	10,298,505	83,886,579	32,445,422	20,354,060	10,708,585,145
Accumulated depreciation:								
31 December 2008	-	1,170,408,353	-	1,909,601	38,664,533	16,699,921	15,075,935	1,242,758,343
Reclassification	-	-	-	-	(6,349)	-	-	(6,349)
Depreciation for the year	-	325,667,030	-	1,612,714	9,636,772	5,245,255	2,671,449	344,833,220
Depreciation on disposals/ written off	-	-	-	-	(581,351)	(1,058,849)	(2,756,699)	(4,396,899)
31 December 2009	-	1,496,075,383	-	3,522,315	47,713,605	20,886,327	14,990,685	1,583,188,315
Net book value:								
31 December 2008	452,264,402	8,376,300,712	57,223,738	7,983,666	11,249,912	14,797,217	5,680,740	8,925,500,387
31 December 2009	452,264,402	8,050,633,682	562,627,112	6,776,190	36,172,974	11,559,095	5,363,375	9,125,396,830
Depreciation for the year								
2008 (Baht 328 million included in cost of sales of treated water and service, and the balance in administrative expenses)								335,500,846
2009 (Baht 336 million included in cost of sales of treated water and service, and the balance in administrative expenses)								344,833,220

(Unit: Baht)

Separate financial statements								
	Land	Assets for production of treated water	Construction in progress	Building and building improvement	Furniture and office equipment	Motor vehicles	Tools	Total
Cost:								
31 December 2008	397,531,902	9,546,709,066	57,223,738	9,893,267	11,441,279	12,187,321	7,270,272	10,042,256,845
Additions	-	-	537,050,317	-	2,572,999	674,000	-	540,297,316
Disposals	-	-	-	-	(291,744)	-	-	(291,744)
Transfer in (out)	-	-	(31,646,943)	405,238	29,241,705	-	2,000,000	-
31 December 2009	<u>397,531,902</u>	<u>9,546,709,066</u>	<u>562,627,112</u>	<u>10,298,505</u>	<u>42,964,239</u>	<u>12,861,321</u>	<u>9,270,272</u>	<u>10,582,262,417</u>
Accumulated depreciation:								
31 December 2008	-	1,170,408,352	-	1,909,601	5,315,049	7,054,713	3,287,072	1,187,974,787
Depreciation for the year	-	325,667,032	-	1,612,714	7,387,379	1,957,870	1,757,616	338,382,611
Depreciation on disposals	-	-	-	-	(290,979)	-	-	(290,979)
31 December 2009	-	<u>1,496,075,384</u>	-	<u>3,522,315</u>	<u>12,411,449</u>	<u>9,012,583</u>	<u>5,044,688</u>	<u>1,526,066,419</u>
Net book value:								
31 December 2008	<u>397,531,902</u>	<u>8,376,300,714</u>	<u>57,223,738</u>	<u>7,983,666</u>	<u>6,126,230</u>	<u>5,132,608</u>	<u>3,983,200</u>	<u>8,854,282,058</u>
31 December 2009	<u>397,531,902</u>	<u>8,050,633,682</u>	<u>562,627,112</u>	<u>6,776,190</u>	<u>30,552,790</u>	<u>3,848,738</u>	<u>4,225,584</u>	<u>9,056,195,998</u>
Depreciation for the year								
2008 (Baht 324 million included in cost of sales of treated water and service, and the balance in administrative expenses)								<u>328,503,885</u>
2009 (Baht 333 million included in cost of sales of treated water and service, and the balance in administrative expenses)								<u>338,382,611</u>

As at 31 December 2009, certain plant and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 49.1 million (2008: Baht 38.9 million) (Separate financial statements: Baht 6.8 million, 2008: Baht 3.3 million).

During the year 2009, the Company capitalised interest expenses, of approximately Baht 37.2 million as part of property, plant and equipment.

11. 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
Cost:				
31 December 2008	413,087,705	5,933,703,006	2,360,832	6,349,151,543
Reclassification	-	1,287,578	-	1,287,578
Additions	-	2,268,150	91,455	2,359,605
Transfer in (out)	-	2,452,287	(2,452,287)	-
31 December 2009	413,087,705	5,939,711,021	-	6,352,798,726
Accumulated amortisation:				
31 December 2008	166,897,573	2,047,840,760	-	2,214,738,333
Reclassification	-	6,349	-	6,349
Amortisation for the year	15,061,345	238,744,537	-	253,805,882
31 December 2009	181,958,918	2,286,591,646	-	2,468,550,564
Net book value				
31 December 2008	246,190,132	3,885,862,246	2,360,832	4,134,413,210
31 December 2009	231,128,787	3,653,119,375	-	3,884,248,162
Amortisation for the year included in cost of sales of treated water in the income statements				
2008				246,719,618
2009				253,805,882

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.

12. Rights to produce and sell treated water and treat waste water

	(Unit: Baht)
	Consolidated financial statements / Separate financial statements
	31 December 2009
Rights to produce and sell treated water and treat waste water	1,410,074,586
<u>Less:</u> Accumulated amortisation of rights to produce and sell treated water and treat waste water	(9,756,047)
Rights to produce and sell treated water and treat waste water, net	1,400,318,539

On 31 July 2009, the Extraordinary General Meeting of Shareholders No.1/2552 approved the acquisition of rights to produce and sell treated water and treat waste water at Bangpa-In Industrial Estate (“Operating Rights”) from Bangpa-In Land Development Company Limited and execution of a related agreement. The rights were valued at Baht 1,400 million, which is to be paid in installments basis in accordance with the agreement.

The outstanding balances of this transaction, Baht 214 million is presented in the balance sheet as other payable - related party and Baht 214 million as long-term other payable - related party.

13. Rights to produce and sell treated water

	(Unit: Baht)	
	Consolidated financial statements	
	31 December 2009	31 December 2008
Rights to produce and sell treated water	3,169,108,803	3,169,108,803
<u>Less:</u> Accumulated amortisation of rights to produce and sell treated water	(479,916,807)	(284,970,416)
Rights to produce and sell treated water, net	2,689,191,996	2,884,138,387

14. Long-term loans from financial institutions

(Unit: Baht)

Loan	Interest rate (%)	Repayment schedule	Consolidated financial statements		Separate financial statements	
			2009	2008	2009	2008
1.	MLR - stipulated rate in agreement between 2.00% - 2.25%	Quarterly installments as from March 2010 to June 2019	1,072,000,000	-	1,072,000,000	-
2.	MLR - stipulated rate in agreement between 2.00% - 2.25%	Quarterly installments as from December 2009 to September 2019	3,510,000,000	-	3,510,000,000	-
3.	MLR - 1%	Quarterly installments as from January 2005 to October 2016	-	5,016,200,000	-	5,016,200,000
4.	MLR , MLR - 0.5%	Quarterly installments as from October 2008 to October 2016	-	973,352,152	-	973,352,152
5.	MLR - 0.5%	Semi-annual installments as from June 2005 to December 2015	-	2,626,932,846	-	-
6.	MLR	Semi-annual installments as from June 2008 to December 2012	-	692,860,721	-	-
Total			4,582,000,000	9,309,345,719	4,582,000,000	5,989,552,152
Less: Current portion			(420,000,000)	(1,103,955,215)	(420,000,000)	(598,955,215)
Long-term loans, net			4,162,000,000	8,205,390,504	4,162,000,000	5,390,596,937

During the year 2009, the Company issued debentures, as described in Note 15, in order to settle the balance of loans number 3 and 4. In addition, a subsidiary entered into a loan agreement with the Company. Such loans were used to settle the outstanding balance of long-term loans under loans number 5 and 6.

15. Debentures

On 26 February 2009, the Company issued Baht 7,000 million of unsecured senior debentures, with trustees, in 3 series; to be offered for sale to investors in accordance with the Notification of the Securities and Exchange Commission. Details of the debentures are as follow:-

- A) Series #1 comprises 3,500,000 debentures with a face value of Baht 1,000, or a total of Baht 3,500 million. The debentures mature on 26 February 2012 and bear interest at a fixed rate of 4.00 percent per annum, payable every 6 months.
- B) Series #2 comprises 1,700,000 debentures with a face value of Baht 1,000, or a total of Baht 1,700 million. The debentures mature on 26 February 2014 and bear interest at a fixed rate of 4.75 percent per annum, payable every 6 months.
- C) Series #3 comprises 1,800,000 debentures with a face value of Baht 1,000, or a total of Baht 1,800 million. The debentures mature on 26 February 2016 and bear interest at a fixed rate of 5.35 percent per annum, payable every 6 months.

The Company is required to maintain certain financial ratios.

16. 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.

17. Other reserve

According to the amendment of the concession to operate treated water dated 20 March 2008, prior to paying a dividend the Company is required to set aside 10 percent of its annual net income to other reserve.

18. Sales of treated water

Sales of treated water of the Company as presented in the income statements for the years ended 31 December 2009 and 2008 included revenues from the Provincial Waterworks Authority amounting to Baht 49.8 and 19.3 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".

19. Expenses by nature

Significant expenses by nature are as follow:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Salary and wages and other				
employee benefits	111,248,699	100,457,484	32,132,985	29,959,705
Depreciation	344,833,220	335,500,846	338,382,611	328,503,885
Amortisation of assets for production of				
treated water that must be				
transferred at end of concession	253,805,882	246,719,618	-	-
Amortisation of investments in				
subsidiaries	-	-	221,494,148	222,100,981
Operate and maintenance expenses	-	-	35,288,373	28,732,053
Production and maintenance cost	480,610,823	510,165,601	253,815,726	247,032,466

20. 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).

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

	(Unit: Baht)					
	Promoted operations		Non-promoted operations		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Sales of treated water	2,592,395,254	2,355,871,315	54,221,940	-	2,646,617,194	2,355,871,315

21. Earnings per share

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

22. 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 and assets reflected in these financial statements pertain to the aforementioned industry segment and geographic area.

23. 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 Asset Management Company Limited and Kasikorn Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company and the subsidiaries contributed Baht 3.3 million (Separate financial statements: Baht 1.1 million) (2008: Baht 3.2 million, Separate financial statements: Baht 0.9 million) to the funds.

24. Dividends

(Unit: Baht)			
<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
Dividends from the earnings of the promoted operations for the year 2007 to the shareholders listed in the share register book as at 20 November 2008.	Extraordinary General Meeting of the Company's shareholders No.1/2008 on 17 December 2008	598,498,845	0.15
Total dividend for 2008		<u>598,498,845</u>	
Dividends from the earnings of the promoted operations for the year 2008 to the shareholders listed in the share register book as at 13 March 2009.	Annual General Meeting of the Company's shareholders for the year 2009 on 3 April 2009	797,998,460	0.20
Dividends from the earnings of the promoted operations for January to June 2009 to the shareholders listed in the share register book as at 28 August 2009	Board of Directors Meeting No. 8/2009 on 11 August 2009	438,893,719	0.11
Total dividends for 2009		<u>1,236,892,179</u>	

25. Corporate income tax

During the second quarter of the year 2009, the subsidiary received notice of a change to its net operating loss brought forward from the Area Revenue Office. Based on the assessment made by the Area Revenue Office, the subsidiary has corporate income tax obligations for the year 2008 of approximately Baht 44 million. To reduce the risk of future loss, the subsidiary recorded corporate income tax expenses for the year 2008 of Baht 44 million and corporate income tax expenses for the year 2009 of Baht 143 million. However, the subsidiary disputes this assessment and has therefore appealed to the Appeals Committee of the Revenue Department. The appeal is being considered. If the Appeals Committee decides to cancel the assessment per the above notice, the already recorded corporate income tax will be reversed to revenue.

The Company had no corporate income tax payable on the net income from non-promoted operations for the years ended 31 December 2009 and 2008, since the Company had tax loss brought forward from previous years over its net income from the years.

26. Commitments and contingent liabilities

26.1 Capital commitments

As at 31 December 2009, the Company had capital commitments of Baht 520.8 million relating to the expansion project of water treatment plant.

26.2 Service commitments and other commitments

- a) The Company has entered into an operation and maintenance agreement with WaterFlow Company Limited, whereby the subsidiary is to manage and maintenance of production and supply of treated water system and to manage the waste water system. Under the conditions of the agreement, the Company is to pay service fees at a rate stipulated in the agreement.
- b) Pathum Thani Water Company Limited has entered into a maintenance agreement with BJT Water Company Limited, whereby its subsidiary is to maintenance. Under the conditions of the agreement, Pathum Thani Water Company Limited is to pay service fees at a rate stipulated in the agreement.
- c) As at 31 December 2009, a subsidiary had commitments totaling Baht 4.1 million under a rental service agreement with related companies and under other service agreements.

26.3 Bank guarantees

As at 31 December 2009, there were outstanding bank guarantees of approximately Baht 248.9 million issued by banks on behalf of the Company and its subsidiaries in the normal course of business. These included letters of guarantee amounting to Baht 209.7 million required under the Water Purchase Agreement with the Provincial Waterworks Authority, Baht 39.2 million to guarantee electricity use (Separate financial statements: Baht 50.1 million under the Water Purchase Agreement with the Provincial Waterworks Authority and Baht 22.1 million to guarantee electricity use).

26.4 Litigation

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.

27. Financial instruments

27.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, current investments, trade accounts receivable, trade accounts payable, amounts due to related parties, other payable, retention payable, debentures and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable 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.

Interest rate risk

The Company's and its subsidiaries' exposures to interest rate risk relate primarily to their cash at banks, current investments, long-term loans to related party, debentures and long-term loans. 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 2009 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						Effective interest rate (% p.a.)
	Fixed interest rates			Floating interest rate	Non- interest bearing	Total	
	Within 1 year	1-5 years	Over 5 years				
	(Million Baht)						
Financial assets							
Cash and cash equivalents	-	-	-	2,286	-	2,286	0.50 - 0.85
Current investments	1,085	-	-	-	-	1,085	0.50 - 1.00
Trade accounts receivable	-	-	-	-	384	384	-
	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>2,286</u>	<u>384</u>	<u>3,755</u>	
Financial liabilities							
Trade accounts payable	-	-	-	-	40	40	-
Amounts due to related parties	-	-	-	-	458	458	-
Other payable	-	-	-	-	18	18	-
Retention payable	-	-	-	-	17	17	-
Debentures	-	5,192	1,796	-	-	6,988	4.00 - 5.35
Long-term loans	-	-	-	4,582	-	4,582	3.38 - 3.88
	<u>-</u>	<u>5,192</u>	<u>1,796</u>	<u>4,582</u>	<u>513</u>	<u>12,083</u>	

Separate financial statements

	Fixed interest rates					Total	Effective interest rate
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- interest bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	-	-	-	1,740	-	1,740	0.50 - 0.85
Current investments	1,085	-	-	-	-	1,085	0.50 - 1.00
Trade accounts receivable	-	-	-	-	256	256	-
Long-term loans to related party	-	-	-	3,023	-	3,023	3.50 - 3.98
	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>4,763</u>	<u>256</u>	<u>6,104</u>	
Financial liabilities							
Trade accounts payable	-	-	-	-	33	33	-
Amounts due to related parties	-	-	-	-	458	458	-
Other payable	-	-	-	-	15	15	-
Retention payable	-	-	-	-	17	17	-
Debentures	-	5,192	1,796	-	-	6,988	4.00 - 5.35
Long-term loans	-	-	-	4,582	-	4,582	3.38 - 3.88
	<u>-</u>	<u>5,192</u>	<u>1,796</u>	<u>4,582</u>	<u>502</u>	<u>12,072</u>	

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.

27.2 Fair values of financial instruments

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.

The methods and assumptions used by the Company and its subsidiaries in estimating the fair value of financial instruments are as follows:

- a) For financial assets and liabilities which have short-term maturity, including cash and cash equivalents, current investments, accounts receivable, accounts payable, amount due to related parties, other payable and retention payable, their carrying amounts in the balance sheet approximate their fair value.
- b) For long-term loans to related party and long-term loans carrying interest approximate to the market rate, their carrying amounts in the balance sheet approximates their fair value.

- c) For fixed rate debentures, their fair value is estimated by discounting expected future cash flow by the current market interest rate of the loans with similar terms and conditions. The approximate fair value is estimated to be close to the carrying amounts in the balance sheet.

As at 31 December 2009, fair value of significant financial instruments are estimated to be close to the carrying amounts in the balance sheet, with no material differences.

28. Capital management

The Company and its subsidiaries have set various policies and objectives to leverage in the operation of their businesses. The policies are set to ensure the Company and its subsidiaries maintain financial stability for their operations. According to the balance sheet as at 31 December 2009, the Group's debt-to-equity ratio in was 1.42 : 1 and the Company's was 1.42:1.

29. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 5 February 2010.