

TTW Public Company Limited and its subsidiaries
(Formerly known as "Thai Tap Water Supply Public
Company Limited")
Report and interim consolidated financial statements
For the three-month period ended 31 March 2014

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of TTW Public Company Limited

(Formerly known as "Thai Tap Water Supply Public Company Limited")

I have reviewed the accompanying consolidated statement of financial position of TTW Public Company Limited and its subsidiaries as at 31 March 2014, the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements.

I have also reviewed the separate financial information of TTW Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Emphasis of matter

I draw attention to Note 1.4 to the financial statements, regarding the adoption of new accounting standards relating to TFRIC 12 Service Concession Arrangements and TFRIC 4 Determining whether an Arrangement contains a Lease. The management of the Company and its subsidiary used judgement in considering the arrangements and related agreements, and in disclosing the impact of the adoption of these accounting standard interpretations. My conclusion is not qualified in respect of this matter.

Khitsada Lerdwana

Certified Public Accountant (Thailand) No. 4958

EY Office Limited

(Formerly known as “Ernst & Young Office Limited”)

Bangkok: 14 May 2014

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Statement of financial position

As at 31 March 2014

(Unit: Thousand Baht)

		Consolidated financial statements			Separate financial statements		
	Note	31 March 2014	31 December 2013	1 January 2013	31 March 2014	31 December 2013	1 January 2013
		(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Assets							
Current assets							
Cash and cash equivalents		1,818,806	2,148,025	2,676,865	1,463,075	1,642,676	2,098,391
Current investments	4	3,329,297	3,679,041	3,096,568	3,329,297	3,679,041	3,096,567
Trade and other receivables	5	580,454	539,934	452,063	418,389	380,457	295,969
Current portion of long-term loans to related party and interest receivable	3	-	-	-	310,231	311,208	311,163
Raw materials and supplies		21,930	22,190	23,643	11,990	12,112	15,007
Other current assets		40,938	28,007	57,362	30,544	15,036	49,047
Total current assets		5,791,425	6,417,197	6,306,501	5,563,526	6,040,530	5,866,144
Non-current assets							
Other long-term investments	6	400,000	400,000	200,000	200,000	200,000	-
Long-term loans to related party, net of current portion	3	-	-	-	1,395,000	1,472,500	1,782,500
Investments in subsidiaries	7	-	-	-	3,190,644	3,245,259	3,466,753
Investment in associate	8	2,935,025	2,904,996	2,771,313	2,756,080	2,756,080	2,766,100
Property, plant and equipment	9	755,507	709,125	585,551	679,155	640,974	515,785
Assets for production of treated water under agreements with public sector agency:							
Assets that are owned by the Company	2,10	7,843,407	7,931,143	8,284,315	7,843,407	7,931,143	8,284,315
Assets that must be transferred at end of concession of subsidiary	2,11	2,782,454	2,851,788	3,088,457	-	-	-
Rights to produce and sell treated water and treat waste water from private sector agency	2,12	1,256,621	1,267,118	1,304,161	1,256,621	1,267,118	1,304,161
Rights to produce and sell treated water from business acquisition	13	1,861,290	1,909,359	2,104,305	-	-	-
Intangible assets		9,278	9,687	11,346	-	-	-
Deferred tax assets		1,414	1,378	1,125	-	-	-
Advance for land		50,000	90,400	-	50,000	90,400	-
Advance payment for assets for production of treated water that must be transferred at end of concession of subsidiary		19,350	21,510	-	-	-	-
Other non-current assets		13,929	11,511	14,444	5,882	5,924	8,493
Total non-current assets		17,928,275	18,108,015	18,365,017	17,376,789	17,609,398	18,128,107
Total assets		23,719,700	24,525,212	24,671,518	22,940,315	23,649,928	23,994,251

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

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Statement of financial position (continued)

As at 31 March 2014

(Unit: Thousand Baht)

		Consolidated financial statements			Separate financial statements		
	Note	31 March 2014	31 December 2013	1 January 2013	31 March 2014	31 December 2013	1 January 2013
		(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Liabilities and shareholders' equity							
Current liabilities							
Trade and other payables	14	149,947	133,024	110,123	111,131	74,888	81,740
Current portion of long-term loans							
from financial institutions	15	735,000	510,000	490,000	735,000	510,000	490,000
Current portion of debentures	16	-	1,700,000	-	-	1,700,000	-
Income tax payable		197,174	162,579	159,375	97,008	97,008	84,501
Accrued interest		69,078	138,343	139,717	69,078	138,344	139,717
Other current liabilities		75,622	63,389	82,845	56,641	42,919	53,973
Total current liabilities		1,226,821	2,707,335	982,060	1,068,858	2,563,159	849,931
Non-current liabilities							
Retention payable - subsidiary	3	-	-	-	5,000	5,000	5,000
Long-term loans from financial institutions,							
net of current portion	15	6,777,500	5,430,000	5,940,000	6,777,500	5,430,000	5,940,000
Debentures, net of current portion	16	5,294,125	5,292,804	6,990,471	5,294,125	5,292,804	6,990,471
Provision for long-term employee benefits		18,942	18,491	14,780	10,026	8,384	6,577
Deferred tax liabilities		66,144	65,409	83,816	50,956	50,117	66,228
Total non-current liabilities		12,156,711	10,806,704	13,029,067	12,137,607	10,786,305	13,008,276
Total liabilities		13,383,532	13,514,039	14,011,127	13,206,465	13,349,464	13,858,207

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

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Statement of financial position (continued)

As at 31 March 2014

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
Note	31 March 2014	31 December 2013	1 January 2013	31 March 2014	31 December 2013	1 January 2013
	(Unaudited but reviewed)	(Audited)		(Unaudited but reviewed)	(Audited)	
Shareholders' equity						
Share capital						
Registered						
3,990,000,000 ordinary shares of Baht 1 each	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000
Issued and fully paid-up						
3,990,000,000 ordinary shares of Baht 1 each	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000	3,990,000
Share premium	2,637,770	2,637,770	2,637,770	2,637,770	2,637,770	2,637,770
Retained earnings						
Appropriated - statutory reserve	399,000	399,000	399,000	399,000	399,000	399,000
Appropriated - other reserve	17 1,171,411	935,528	723,128	1,171,411	935,528	723,128
Unappropriated	2,727,028	3,642,111	3,475,162	1,535,669	2,338,166	2,386,146
Other components of shareholders' equity	(622,154)	(629,290)	(600,363)	-	-	-
Equity attributable to owners of the Company	10,303,055	10,975,119	10,624,697	9,733,850	10,300,464	10,136,044
Non-controlling interests of the subsidiaries	33,113	36,054	35,694	-	-	-
Total shareholders' equity	10,336,168	11,011,173	10,660,391	9,733,850	10,300,464	10,136,044
Total liabilities and shareholders' equity	23,719,700	24,525,212	24,671,518	22,940,315	23,649,928	23,994,251

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

Directors

(Unaudited but reviewed)

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Statement of comprehensive income

For the three-month period ended 31 March 2014

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

		Consolidated financial statements		Separate financial statements	
	Note	2014	2013	2014	2013
Profit or loss:					
Revenues					
Sales of treated water to public sector agency:					
Sale of treated water - minimum offtake quantities	2	1,169,912	1,114,520	801,929	753,665
Sale of treated water - above minimum offtake quantities	2	100,153	95,260	47,200	39,307
Sales of treated water to private sector agencies	2	42,871	32,017	42,871	32,017
Total sales of treated water		1,312,936	1,241,797	892,000	824,989
Service income		27,332	24,985	8,609	7,052
Interest income		22,093	24,800	40,059	47,007
Dividend income	7	-	-	351,381	379,251
Other income		27,185	365,839	29,723	41,168
Total revenues		1,389,546	1,657,421	1,321,772	1,299,467
Expenses					
Cost of sales of treated water and services		378,502	378,548	222,376	216,040
Administrative expenses		66,785	77,085	56,288	58,348
Amortisation of investments in subsidiaries	7	-	-	54,615	54,615
Amortisation of rights to produce and sell treated water and treat waste water from private sector agency	12	10,497	7,636	10,497	7,636
Amortisation of rights to produce and sell treated water from business acquisition	13	48,069	48,069	-	-
Total expenses		503,853	511,338	343,776	336,639
Profit before share of profit from investment in associate, finance cost and income tax expenses					
Share of profit from investment in associate	8	22,893	26,740	-	-
Profit before finance cost and income tax expenses		908,586	1,172,823	977,996	962,828
Finance cost		(147,346)	(156,204)	(147,278)	(155,967)
Profit before income tax expenses		761,240	1,016,619	830,718	806,861
Income tax expenses	18	(39,717)	(132,419)	(839)	(96,991)
Profit for the period		721,523	884,200	829,879	709,870
Other comprehensive income:					
Unrealised gain from cash flow hedges		7,136	-	-	-
Other comprehensive income for the period		7,136	-	-	-
Total comprehensive income for the period		728,659	884,200	829,879	709,870

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

TTW Public Company Limited and its subsidiaries**(Formerly known as "Thai Tap Water Supply Public Company Limited")****Statement of comprehensive income (continued)****For the three-month period ended 31 March 2014**

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

		Consolidated financial statements		Separate financial statements	
	<u>Note</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Profit attributable to:					
Equity holders of the Company		717,293	873,795	<u>829,879</u>	<u>709,870</u>
Non-controlling interests of the subsidiaries		<u>4,230</u>	<u>10,405</u>		
		<u>721,523</u>	<u>884,200</u>		
Total comprehensive income attributable to:					
Equity holders of the Company		724,429	873,795	<u>829,879</u>	<u>709,870</u>
Non-controlling interests of the subsidiaries		<u>4,230</u>	<u>10,405</u>		
		<u>728,659</u>	<u>884,200</u>		
Basic earnings per share	19				
Profit attributable to equity holders of the Company		<u>0.18</u>	<u>0.22</u>	<u>0.21</u>	<u>0.18</u>

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

(Unaudited but reviewed)

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Cash flows statement

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from operating activities				
Profit before tax	761,240	1,016,619	830,718	806,861
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	162,899	162,294	91,535	90,816
Amortisation of investments in subsidiaries	-	-	54,615	54,615
Amortisation of rights to produce and sell treated water from business acquisition	48,069	48,069	-	-
Amortisation of rights to produce and sell treated water and treat waste water from private sector agency	10,497	7,636	10,497	7,636
Loss from write-off of equipment	2,000	-	2,000	-
Share of profit from investment in associate	(22,893)	(26,740)	-	-
Dividend income from subsidiary	-	-	(351,381)	(379,251)
Provision for long-term employee benefits	3,555	923	4,746	452
Interest expenses	<u>147,285</u>	<u>155,977</u>	<u>147,278</u>	<u>155,967</u>
Profit from operating activities before changes in operating assets and liabilities	1,112,652	1,364,778	790,008	737,096
Operating assets (increase) decrease				
Trade and other receivables	(23,308)	(20,987)	(19,742)	(17,955)
Raw materials and supplies	260	1,475	122	1,592
Other current assets	(21,089)	1,468	(14,799)	3,801
Other non-current assets	42	42	42	42
Operating liabilities increase (decrease)				
Trade and other payables	(29,726)	(23,734)	(10,408)	(20,018)
Other current liabilities	11,936	33,186	13,425	24,530
Cash paid for long-term employee benefits	<u>(3,104)</u>	<u>-</u>	<u>(3,104)</u>	<u>-</u>
Cash from operating activities	1,047,663	1,356,228	755,544	729,088
Cash paid for interest expenses	(215,230)	(213,896)	(215,223)	(213,886)
Cash paid for corporate income tax	(5,135)	(12,401)	(709)	(8,041)
Cash received from withholding tax receivable	<u>6,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash from operating activities	<u>833,708</u>	<u>1,129,931</u>	<u>539,612</u>	<u>507,161</u>

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

(Unaudited but reviewed)

TTW Public Company Limited and its subsidiaries**(Formerly known as "Thai Tap Water Supply Public Company Limited")****Cash flows statement (continued)****For the three-month period ended 31 March 2014**

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from investing activities				
Decrease (increase) in current investments	379,182	(488,150)	379,182	(155,515)
Decrease in long-term loans to related party	-	-	77,500	77,500
Cash paid for investment in associate	-	(1,839,990)	-	(1,839,990)
Cash received from the reduction in shares of associate	-	1,839,990	-	1,839,990
Increase in property, plant and equipment	(11,242)	(1,870)	(3,580)	(1,388)
Dividend received from subsidiary	-	-	351,381	379,251
Net cash from (used in) investing activities	<u>367,940</u>	<u>(490,020)</u>	<u>804,483</u>	<u>299,848</u>
Cash flows from financing activities				
Cash received from long-term loans	1,700,000	-	1,700,000	-
Repayment of long-term loans	(127,500)	(122,500)	(127,500)	(122,500)
Repayment of debentures	(1,700,000)	-	(1,700,000)	-
Dividend payment	(1,396,196)	(1,196,511)	(1,396,196)	(1,196,511)
Dividend payment for non-controlling interests of the subsidiary	(7,171)	(7,740)	-	-
Net cash used in financing activities	<u>(1,530,867)</u>	<u>(1,326,751)</u>	<u>(1,523,696)</u>	<u>(1,319,011)</u>
Net decrease in cash and cash equivalents	<u>(329,219)</u>	<u>(686,840)</u>	<u>(179,601)</u>	<u>(512,002)</u>
Cash and cash equivalents at beginning of period	<u>2,148,025</u>	<u>2,676,865</u>	<u>1,642,676</u>	<u>2,098,391</u>
Cash and cash equivalents at end of period	<u>1,818,806</u>	<u>1,990,025</u>	<u>1,463,075</u>	<u>1,586,389</u>
	-	-	-	-
Supplemental cash flows information				
Non-cash transactions				
Dividend payable	297	409	297	409
Accounts receivable from securities trading	17,212	40,664	17,212	40,664
Accounts payable from securities trading	46,649	1,448	46,649	1,448
Transfer advance payment for assets for production of treated water that must be transferred at end of concession of subsidiary to equipment	2,160	-	-	-
Transfer advance for land to land	40,400	-	40,400	-

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

(Unaudited but reviewed)

TTW Public Company Limited and its subsidiaries
(Formerly known as "Thai Tap Water Supply Public Company Limited")
Statement of changes in shareholders' equity
For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

Consolidated financial statements											
Equity attributable to the owners of the Company											
						Other components of equity					
						Other comprehensive			Total equity attributable to owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity
Retained earnings						income	Difference on	Total			
Issued and paid-up share capital	Share premium	Appropriated - statutory reserve	Appropriated - other reserve	Unappropriated	Unrealised gain (loss) from cash flow hedges	reorganisation of business of group companies	other components of shareholders' equity				
Balance as at 31 December 2012	3,990,000	2,637,770	399,000	723,128	3,475,162	-	(600,363)	(600,363)	10,624,697	35,694	10,660,391
Dividend paid (Note 21)	-	-	-	-	(1,196,920)	-	-	-	(1,196,920)	-	(1,196,920)
Total comprehensive income for the period	-	-	-	-	873,795	-	-	-	873,795	10,405	884,200
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	212,400	(212,400)	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiary from dividend payment of the subsidiary	-	-	-	-	-	-	-	-	-	(7,740)	(7,740)
Balance as at 31 March 2013	3,990,000	2,637,770	399,000	935,528	2,939,637	-	(600,363)	(600,363)	10,301,572	38,359	10,339,931
Balance as at 31 December 2013	3,990,000	2,637,770	399,000	935,528	3,642,111	(28,927)	(600,363)	(629,290)	10,975,119	36,054	11,011,173
Dividend paid (Note 21)	-	-	-	-	(1,396,493)	-	-	-	(1,396,493)	-	(1,396,493)
Total comprehensive income for the period	-	-	-	-	717,293	7,136	-	7,136	724,429	4,230	728,659
Unappropriated retained earnings transferred to other reserve (Note 17)	-	-	-	235,883	(235,883)	-	-	-	-	-	-
Decrease in non-controlling interests of the subsidiary from dividend payment of the subsidiary	-	-	-	-	-	-	-	-	-	(7,171)	(7,171)
Balance as at 31 March 2014	3,990,000	2,637,770	399,000	1,171,411	2,727,028	(21,791)	(600,363)	(622,154)	10,303,055	33,113	10,336,168

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

(Unaudited but reviewed)

TTW Public Company Limited and its subsidiaries

(Formerly known as "Thai Tap Water Supply Public Company Limited")

Statement of changes in shareholders' equity (continued)

For the three-month period ended 31 March 2014

(Unit: Thousand Baht)

	Separate financial statements					
	Issued and		Retained earnings			
	paid-up		Appropriated -	Appropriated -		Total
	share capital	Share premium	statutory reserve	other reserve	Unappropriated	shareholders' equity
Balance as at 31 December 2012	3,990,000	2,637,770	399,000	723,128	2,386,146	10,136,044
Dividend paid (Note 21)	-	-	-	-	(1,196,920)	(1,196,920)
Total comprehensive income for the period	-	-	-	-	709,870	709,870
Unappropriated retained earnings						
transferred to other reserve (Note 17)	-	-	-	212,400	(212,400)	-
Balance as at 31 March 2013	3,990,000	2,637,770	399,000	935,528	1,686,696	9,648,994
Balance as at 31 December 2013	3,990,000	2,637,770	399,000	935,528	2,338,166	10,300,464
Dividend paid (Note 21)	-	-	-	-	(1,396,493)	(1,396,493)
Total comprehensive income for the period	-	-	-	-	829,879	829,879
Unappropriated retained earnings						
transferred to other reserve (Note 17)	-	-	-	235,883	(235,883)	-
Balance as at 31 March 2014	3,990,000	2,637,770	399,000	1,171,411	1,535,669	9,733,850

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

TTW Public Company Limited and its subsidiaries
(Formerly known as “Thai Tap Water Supply Public Company Limited”)
Notes to interim financial statements
For the three-month period ended 31 March 2014

1. General information

1.1 Corporate information

TTW Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Mitsui Water Holdings (Thailand) Company Limited, which was 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 (An amendment agreement dated 29 December 2008), 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.

On 18 March 2014, the Company registered the change of the Company’s name from “Thai Tap Water Supply Public Company Limited” to “TTW Public Company Limited” with the Ministry of Commerce.

The Company’s registered office is at 30/130 Moo 12, Budha Monthon 5 Road, RaiKhing, Sam Pran, Nakhon Pathom.

1.2 Basis for preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2012) "Interim Financial Reporting", with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The 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.

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

1.3 Basis of consolidation

These consolidated interim financial statements include the financial statements of TTW Public Company Limited and its subsidiaries and are prepared on the same basis as the consolidated financial statements for the year ended 31 December 2013, with no structural changes related to subsidiaries occurring during the current period.

1.4 New accounting standards

(a) Accounting standards that became effective in the current accounting year

The Company disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they are not relevant to the business of the Company or do not have a significant impact, except for the following:

TFRIC 12 Service Concession Arrangements

This TFRIC gives guidance on accounting by operators for recognising and measuring the obligations and related rights in public-to-private service concession arrangement. The operators shall recognise the consideration received or receivable at its fair value as rights a financial asset or an intangible asset, depending on the conditions of the service concession arrangement. The interpretation applies to public-to-private service concession arrangements, particularly concessions that meet both of two criterias: (1) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and (2) the grantor controls-through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement.

TFRIC 4 Determining whether an Arrangement contains a Lease

This TFRIC requires an entity to determine whether an arrangement is, or contains, a lease, based on the substance of the arrangement. If an arrangement is, or contains, a lease, the payments for the lease should be separated from payments for any other elements in the arrangement. The interpretation requires an assessment of whether the arrangement meets both of two criterias: (1) fulfilment of the conditions of the arrangement depends on the use of a particular asset or assets; and (2) the arrangement conveys a right to use the asset(s).

Analysis

The Company's management analysed the conditions of the agreements and arrangements that the Company and its subsidiary, which are private entities, entered into with the public sector agencies regarding operation of treated water business. These are the concessions to operate treated water business granted by the Ministry of Natural Resources and Environment and Ministry of Interior, and the agreements with the Provincial Waterworks Authority (PWA), and management took into consideration that the relevant government agencies had only overall authority over the treated water business and assets of the treated water production plants, while the Company and its subsidiary retained rights and control over the utilisation of the assets of the treated water production plants. Furthermore, the management believes that the minimum offtake quantities, the expansion of production capacity, the negotiations concerning minimum offtake quantities and the price for buying and selling of water, and the sales of water to other customers, together with the minimum offtake quantities under the Water Purchase Agreement made with the PWA, are in substance the reservation of an amount of production capacity that varies with each period of

the agreements. There remain uncertainties regarding the Company and its subsidiary's production of treated water, as it could be affected by several factors, such as the quantity of raw water available, natural disaster, and damage to machinery and electrical systems, which would result in the Company and its subsidiary being unable to produce the minimum offtake quantities of treated water stipulated.

Given the above conditions, the management concluded that the Company and its subsidiary retained rights and control over the utilisation of the assets of the treated water production plants. Moreover, the risks and rewards of ownership of such assets remain with the Company and its subsidiary. Thus, the arrangements into which the Company and its subsidiary entered with public sector agencies regarding operation of treated water business do not meet the criteria under, and are outside the scope of TFRIC 12. However, the arrangements under the Water Purchase Agreements are agreements having elements of an operating lease, in accordance with TFRIC 4.

Moreover, because the interpretation of the substance of the arrangements and related agreements requires management to use a considerable amount of judgment, the management of the Company and its subsidiary consulted with relevant parties, including the auditor of the Company and its subsidiary.

The impact of the adoption of these accounting standard interpretations by the Company and its subsidiary is disclosed in Note 2 to the financial statements.

(b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The Company's management has assessed the effect of this financial reporting standard and believes that it is not relevant to the business of the Company

1.5 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 2013.

2. Cumulative effect to the adoption of new accounting standard

(a) During the current period, the Company and its subsidiary have adopted new accounting standards relating to TFRIC 12 Service Concession Arrangements and TFRIC 4 Determining whether an Arrangement contains a Lease, as described in Note 1.4 to the financial statements. These changes had no effect to previously reported profit or loss or shareholders' equity but resulted in the following reclassifications.

- Separate presentation of the assets used for production of treated water under agreements with public sector agency in the statement of financial position.
- Reclassification of sales of treated water to public sector agency into two types, presented separately in the statement of comprehensive income. These are sales of treated water - minimum offtake quantities (per the agreement with public sector agency that has element of operating leases) and sales of treated water - above minimum offtake quantities.

(Unit: Thousand Baht)

	Consolidated financial statements			
	As at 31 December 2013		As at 1 January 2013	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Statement of financial position				
Property, plant and equipment	709,125	8,640,268	585,551	8,869,866
Assets for production of treated water that must be transferred at end of concession	-	2,851,788	-	3,088,457
Assets for production of treated water under agreements with public sector agency:				
Assets that are owned by the Company	7,931,143	-	8,284,315	-
Assets that must be transferred at end of concession of subsidiary	2,851,788	-	3,088,457	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	As at 31 December 2013		As at 1 January 2013	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Statement of financial position				
Property, plant and equipment	640,974	8,572,117	515,785	8,800,100
Assets for production of treated water under agreements with public sector agency:				
Assets that are owned by the Company	7,931,143	-	8,284,315	-

(Unit: Thousand Baht)

	For the three-month period ended 31 March 2013			
	Consolidated		Separate	
	financial statements		financial statements	
	As previously		As previously	
	As reclassified	reported	As reclassified	reported
Statement of comprehensive income				
Sales of treated water	-	1,241,797	-	824,989
Sales of treated water to public sector agency:				
Sales of treated water - minimum offtake quantities	1,114,520	-	753,665	-
Sales of treated water - above minimum offtake quantities	95,260	-	39,307	-
Sales of treated water to private sector agencies	32,017	-	32,017	-

- (b) As described in Note 1.4 (a) regarding the effect of the adoption of the new accounting standard on the financial statements, which may cause issue as a result of the different interpretations under the new and existing accounting standards. Since the agreements contain condition regarding minimum offtake quantities, it could be interpreted that in substance the arrangements and agreements of the Company and its subsidiary are under the scope of TFRIC 12, that the minimum offtake quantities from PWA should be regarded as compensation that the Company and its subsidiary receive from PWA for their investment in construction, and such considerations received may be interpreted to be financial assets because the Company and its subsidiary have the right to receive cash compensation under the agreements. Nevertheless, the management's view is that there remains a risk that the Company and its subsidiary will not receive the cash compensation. Since the agreements with PWA contain a clause specifying

minimum offtake quantities, the amount of compensation to be received by the Company and its subsidiary under the agreements should depend on their readiness and capacity to produce water in the future. Consequently, it is still uncertain whether the Company and its subsidiary will receive cash inflows from the minimum offtake quantities in accordance with the agreements, i.e. if the Company and its subsidiary were unable to produce the minimum offtake quantities of treated water stipulated in the agreements due to e.g. a raw water shortage or flooding, they would not receive the compensation.

An interpretation that these arrangements and agreements of the Company and its subsidiary are within the scope of TFRIC 12, and that the considerations to be received should be recognised as financial assets, would differ from the current interpretations of the Company and its subsidiary, and this would impact the financial statements. Specifically, the assets used in the production of treated water which are currently recorded at cost less accumulated depreciation would be restated as accounts receivable, i.e. financial assets, and valued at amortised cost. And the effect will be to increase the consolidated balance of retained earnings as at 31 December 2013 by Baht 8,936 million (separate financial statements: Baht 4,750 million) and increase profit or loss of the Company and its subsidiary for the three-month period ended 31 March 2014 by Baht 20 million (separate financial statements: Baht 56 million).

3. Related party transactions

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

					(Unit: Million Baht)
For the three-month periods ended 31 March					
Consolidated		Separate		Transfer pricing policy	
financial statements		financial statements			
2014	2013	2014	2013		
<u>Transactions with subsidiary companies</u>					
(eliminated from the consolidated financial statements)					
Cost of sales and services	-	-	8	8	Based on contract
Interest income	-	-	22	26	Minimum Loan Rate minus stipulated margin per annum
Management income	-	-	3	-	Based on contract
Dividend income	-	-	351	379	As declared

(Unaudited but reviewed)

The balances of the accounts as at 31 March 2014 and 31 December 2013 between the Company and those related parties are as follows:

		(Unit: Thousand Baht)			
		Consolidated financial statements		Separate financial statements	
		31 March 2014	31 December 2013	31 March 2014	31 December 2013
<u>Other receivables - related parties (Note 5)</u>					
Subsidiaries		-	-	963	-
Related companies (related by shareholders or committees)		4,784	5,779	4,784	5,779
Total other receivables - related parties		4,784	5,779	5,747	5,779
<u>Trade and other payables - related parties (Note 14)</u>					
Subsidiary		-	-	2,980	2,983
Related companies (related by shareholders or committees)		63	66	63	66
Total trade and other payables - related parties		63	66	3,043	3,049
<u>Retention payable - subsidiary</u>					
		-	-	5,000	5,000
		-	-	5,000	5,000

Long-term loans to related party

As at 31 March 2014 and 31 December 2013, the balance of long-term loans between the Company and a related party and the movement are as follows:

		(Unit: Thousand Baht)			
		Separate financial statements			
Company's name	Related by	Balance as at 1 January 2014	During the period		Balance as at 31 March 2014
			Increase	Decrease	
Pathum Thani Water Company Limited	Subsidiary				
Loans		1,782,500	-	(77,500)	1,705,000
Interest receivable		1,208	21,735	(22,712)	231
Total		1,783,708	21,735	(100,212)	1,705,231

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
<u>Long-term loans to related party and interest receivable</u>				
Pathum Thani Water Company Limited				
Loan	-	-	1,705,000	1,782,500
Interest	-	-	231	1,208
Total	-	-	1,705,231	1,783,708
<u>Less</u> Current portion and interest receivable	-	-	(310,231)	(311,208)
Long-term loans to related party, net of current portion	-	-	1,395,000	1,472,500

Long-term loans to subsidiary 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 benefits

During the three-month periods ended 31 March 2014 and 2013, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Million Baht)

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Short-term employee benefits	17	15	12	12
Post-employment benefits	3	-	3	-
Total	20	15	15	12

4. Current investments

The balances of current investments represent investments in trading securities and the 6-12 month fixed deposits, carrying interest between 1.85% and 4.52% per annum (31 December 2013: between 1.85% and 4.68% per annum).

(Unit: Thousand Baht)		
Consolidated / Separate		
financial statements		
	31 March	31 December
	2014	2013
<u>Fixed deposits</u>	1,962,478	2,325,796
	1,962,478	2,325,796
<u>Investments in trading securities at fair value</u>		
Government and state enterprise bonds	648,653	556,958
State enterprise securities	393,033	497,914
Private sector debt securities	193,555	193,623
Marketable equity securities	131,578	104,750
	1,366,819	1,353,245
Total current investments	3,329,297	3,679,041

5. Trade and other receivables

As at 31 March 2014 and 31 December 2013, the outstanding balances of trade and other receivables were overdue less than 3 months.

6. Other long-term investments

The balance represents 15-month and 22-month fixed deposits, carrying interest between 3.50% and 4.00% per annum.

7. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up capital		Shareholding percentage		Cost		(Unit: Thousand Baht)	
							Dividend received	
	during the three-month							
	31 March	31 December	31 March	31 December	31 March	31 December	periods ended 31 March	
	2014	2013	2014	2013	2014	2013	2014	2013
			(%)	(%)				
Thai Water								
Operations								
Company Limited	60,000	60,000	68.5	68.5	700,000	700,000	-	-
Pathum Thani								
Water Company								
Limited	1,200,000	1,200,000	98.0	98.0	3,998,310	3,998,310	351,381	379,251
					4,698,310	4,698,310	351,381	379,251
<u>Less</u> Accumulated amortisation of investments in subsidiaries					(1,487,666)	(1,433,051)	-	-
<u>Less</u> Dividend received from income before purchase of shares					(20,000)	(20,000)	-	-
Total					3,190,644	3,245,259	351,381	379,251

During the first quarter of the year 2014, the Company received dividend from Pathum Thani Water Company Limited amounting to Baht 351 million, in accordance with a resolution of the Annual General Meeting of Pathum Thani Water Company Limited held on 7 March 2014.

(Unaudited but reviewed)

8. Investment in associate

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Consolidated financial statements					
			Shareholding percentage		Cost		Carrying amounts based on equity method	
			31 March	31 December	31 March	31 December	31 March	31 December
			2014	2013	2014	2013	2014	2013
			(%)	(%)				
CK Power Public Company Limited	Making investment in other companies	Thailand	25	25	2,756,080	2,756,080	2,935,025	2,904,996
Total					2,756,080	2,756,080	2,935,025	2,904,996

(Unit: Thousand Baht)

Company's name	Nature of business	Country of incorporation	Separate financial statements					
			Shareholding percentage		Cost		Carrying amounts based on cost method	
			31 March	31 December	31 March	31 December	31 March	31 December
			2014	2013	2014	2013	2014	2013
			(%)	(%)				
CK Power Public Company Limited	Making investment in other companies	Thailand	25	25	2,756,080	2,756,080	2,756,080	2,756,080
Total					2,756,080	2,756,080	2,756,080	2,756,080

(Unaudited but reviewed)

9. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	financial statements	financial statements
Net book value as at 1 January 2014		
- reclassified (Note 2)	709,125	640,974
Acquisitions during period - at cost	11,242	3,580
Write-off during period - net book value at write-off date	(2,000)	(2,000)
Transfer in	42,560	40,400
Depreciation for the period	(5,420)	(3,799)
Net book value as at 31 March 2014	755,507	679,155

10. Assets for production of treated water under agreements with public sector agency - assets that are owned by the Company

Movements of assets for production of treated water that are owned by the Company account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht)
	Consolidated/Separate
	financial statements
Net book value as at 1 January 2014 - reclassified (Note2)	7,931,143
Amortisation for the period	(87,736)
Net book value as at 31 March 2014	7,843,407

Amortisation of such assets for production of treated water has been included as part of cost of sales of treated water.

(Unaudited but reviewed)

11. Assets for production of treated water under agreements with public sector agency - assets that must be transferred at end of concession of subsidiary

Movements of assets for production of treated water that must be transferred at end of concession of subsidiary account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht) Consolidated financial statements
Net book value as at 1 January 2014	2,851,788
Amortisation for the period	(69,334)
Net book value as at 31 March 2014	2,782,454

Amortisation of such assets for production of treated water has been included as part of cost of sales of treated water.

Assets for production of treated water of Pathum Thani Water Company Limited will be transferred to 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 from private sector agency

	(Unit: Thousand Baht) Consolidated / Separate financial statements	
	31 March 2014	31 December 2013
Rights to produce and sell treated water and treat waste water from private sector agency	1,410,075	1,410,075
<u>Less</u> Accumulated amortisation of rights to produce and sell treated water and treat waste water from private sector agency	(153,454)	(142,957)
Rights to produce and sell treated water and treat waste water from private sector agency, net	1,256,621	1,267,118

(Unaudited but reviewed)

13. Rights to produce and sell treated water from business acquisition

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 March	31 December
	2014	2013
Rights to produce and sell treated water from business acquisition	3,169,109	3,169,109
<u>Less</u> Accumulated amortisation of rights to produce and sell treated water from business acquisition	(1,307,819)	(1,259,750)
Rights to produce and sell treated water from business acquisition, net	<u>1,861,290</u>	<u>1,909,359</u>

14. Trade and other payables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March	31 December	31 March	31 December
	2014	2013	2014	2013
Trade payables - related party	-	-	2,898	2,901
Trade payables - unrelated parties	14,236	26,550	5,918	15,347
Amounts due to related parties	63	66	145	148
Amounts due to unrelated parties	4,263	3,818	2,986	2,116
Construction payable - unrelated parties	143	17,305	143	1,416
Retention payable for contract work - unrelated parties	1,927	3,640	1,484	3,175
Accounts payable from securities trading	48,025	1,376	48,025	1,376
Accrued expenses	81,290	80,269	49,532	48,409
Total trade and other payables	<u>149,947</u>	<u>133,024</u>	<u>111,131</u>	<u>74,888</u>

15. Long-term loans from financial institutions

(Unit: Thousand Baht)

	Consolidated / Separate financial statements	
	31 March 2014	31 December 2013
Long-term loans	7,512,500	5,940,000
<u>Less:</u> Current portion	(735,000)	(510,000)
Long-term loans, net of current portion	<u>6,777,500</u>	<u>5,430,000</u>

(Unaudited but reviewed)

Movements in the long-term loans account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Balance as at 1 January 2014	5,940,000
<u>Add</u> : Additional borrowings during the period	1,700,000
<u>Less</u> : Repayment	(127,500)
Balance as at 31 March 2014	7,512,500

Such loans carry interest at the Minimum Loan Rate minus a stipulated margin (MLR - margin) per annum.

In February 2014, the Company entered into a loan agreement with a financial institution under which it borrowed Baht 1,700 million. This loan carries interest at the Minimum Loan Rate minus a stipulated margin (MLR - margin) per annum and is to be repaid in quarterly installments from June 2014 to December 2021.

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

16. Debentures

Movements in the debentures account during the three-month period ended 31 March 2014 are summarised below.

	(Unit: Thousand Baht) Consolidated / Separate financial statements
Balance as at 1 January 2014	6,992,804
<u>Less</u> : Repayment	(1,700,000)
<u>Add</u> : Amortisation of deferred debentures issuing cost	1,321
Balance as at 31 March 2014	5,294,125

All debentures of the Company are unsecured, senior debentures with trustees and with a par value of Baht 1,000 each. The interest is payable every 6 months throughout the life of the debentures.

The Company is required to maintain certain financial ratios.

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% of its annual net profit to other reserve.

18. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2014 and 2013 are made up as follows:

	Consolidated		(Unit: Thousand Baht)	
	financial statements		Separate	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current income tax:				
Interim corporate income tax charge	39,018	130,203	-	94,778
Deferred tax:				
Relating to origination and reversal of temporary differences	699	2,216	839	2,213
Income tax expenses reported in the statements of comprehensive income	<u>39,717</u>	<u>132,419</u>	<u>839</u>	<u>96,991</u>

19. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

20. Segment information

The Company and the subsidiaries are principally engaged in the production and sell of treated water. Its operations are carried on only in Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain exclusively to the aforementioned reportable operating segment and geographic area.

21. Dividend paid

<u>Dividends</u>	<u>Approved by</u>	<u>Total dividends</u> (Thousand Baht)	<u>Dividend per share</u> (Baht)
Dividends from the earnings of the promoted operations for January to July 2012	Annual General Meeting of the shareholders on 22 March 2013	39,897	0.01
Dividends from the earnings of the non-promoted operations for July to December 2012	Annual General Meeting of the shareholders on 22 March 2013	957,536	0.24
Dividends from unappropriated retained earnings	Annual General Meeting of the shareholders on 22 March 2013	199,487	0.05
Total dividends for 2013		<u>1,196,920</u>	<u>0.30</u>
Dividends from the earnings of the promoted operations for July to December 2013	Annual General Meeting of the shareholders on 14 March 2014	877,796	0.22
Dividends from the earnings of the non-promoted operations for July to December 2013	Annual General Meeting of the shareholders on 14 March 2014	239,399	0.06
Dividends from unappropriated retained earnings	Annual General Meeting of the shareholders on 14 March 2014	279,298	0.07
Total dividends for 2014		<u>1,396,493</u>	<u>0.35</u>

22. Commitments and contingent liabilities**22.1 Capital commitments**

As at 31 March 2014, the Company had capital commitments of Baht 115 million (31 December 2013: Baht 2 million) relating to the preparation of land for construction of a water treatment plant, the installation and repair of a water pipe distribution system, and related engineering design works.

22.2 Service commitments and other commitments

- a) The Company has entered into operation and maintenance agreements with Thai Water Operations Company Limited (“the subsidiary”), 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 agreements, the Company is to pay service fees at a rate stipulated in the agreements, which have an initial term of 1 year from 8 January 2010 and thereafter automatically renews each year for a further period of 1 year.
- b) Pathum Thani Water Company Limited has entered into a maintenance agreement with Thai Water Operations Company Limited, whereby such company 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, which has an initial term of 1 year from 8 January 2010 and thereafter automatically renews each year for a further period of 1 year.
- c) Two subsidiaries have entered into management agreements with the Company, whereby the Company manages various functions of the Company, such as accounting, human resources and information technology. Under the conditions of the agreements, the subsidiaries are to pay service fees at a rate stipulated in the agreements, which have an initial term of 1 year from 1 January 2014 and thereafter automatically renews each year for a further period of 1 year.
- d) As at 31 March 2014, its subsidiaries had commitments totaling Baht 14 million (31 December 2013: Baht 31 million) under other service agreements.

22.3 Operating lease commitments

The Company has entered into a land lease agreement for office building. The term of the agreement is between 1 March 2010 and 28 February 2035.

Future minimum lease payments required under this non-cancellable operating lease contract were as follows:

	(Unit: Million Baht)	
	31 March 2014	31 December 2013
Payable:		
In over 1 and up to 5 years	2	2
In over 5 years	10	10

22.4 Bank guarantees

As at 31 March 2014, there were outstanding bank guarantees of Baht 276 million (Separate financial statements: Baht 97 million) (31 December 2013: Baht 275 million (Separate financial statements: Baht 97 million)) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business. These included letters of guarantee as follows:

	Consolidated		(Unit: Million Baht)	
	financial statements		Separate	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Guarantee under the Water Purchase Agreement with the Provincial Waterworks Authority	220	220	60	60
Guarantee electricity use	56	55	37	37
Total	276	275	97	97

22.5 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 (“the subsidiary”) (second defendant) and the Provincial Waterworks Authority (first defendant), claiming compensation totaling approximately Baht 65 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 the subsidiary believes that there is no material financial damage that will be arisen as a result of this dispute.

23. Approval of interim financial statements

These interim financial statements were authorised for issue by the Company’s Board of Directors on 14 May 2014.