

## Sustainable Metropolis

Metropolis means an urban community of dense population having significance in politic, administration, economy, society, and cultures. UN Statistical data indicate that there were 3.29 billion people or one-half of the world population living in urban communities in 2007 and it will expand to 6.39 billion or 69.6% of the world population in 2050.

According to the world atlas rankings, Tokyo had the highest population in the world in 2010 while Bangkok was ranked at 28<sup>th</sup>, indicating a dense population. Hence, many metropolises have to face challenges in planning for basic utility management such as tap water, wastewater, electricity, and wastes.

Region	Urban population (million)					Percentage urban				
	1950	1975	2007	2025	2050	1950	1975	2007	2025	2050
World	737	1518	3294	4584	6398	29.1	37.3	49.4	57.2	69.6
More developed region	427	702	916	995	1071	52.5	67.0	74.4	79.0	86.0
Less developed region	310	817	2382	3590	5327	18.0	27.0	43.8	53.2	67.0
Africa	32	107	373	658	1233	14.5	25.7	38.7	47.2	61.8
Asia	237	574	1645	2440	3486	16.8	24.0	40.8	51.1	66.2
Europe	281	444	528	545	557	51.2	65.7	72.2	76.2	83.8
Latin America and the Caribbean	69	198	448	575	683	41.4	61.1	78.3	83.5	88.7
North America	110	180	275	365	402	63.9	73.8	81.3	85.7	90.2
Oceania	8	13	24	27	31	62.0	71.5	70.5	71.9	76.4

Global trends in urbanization, 1950–2050

Source: UN, 2008, pp3–5

Rank/City/Country/Population
1. Tokyo, Japan - 32,450,000
2. Seoul, South Korea - 20,550,000
3. Mexico City, Mexico - 20,450,000
4. New York City, USA - 19,750,000
5. Mumbai, India - 19,200,000
6. Jakarta, Indonesia - 18,900,000
7. São Paulo, Brazil - 18,850,000
8. Delhi, India - 18,680,000
9. Osaka/Kobe, Japan - 17,350,000
10. Shanghai, China - 16,650,000
28. Bangkok, Thailand - 7,221,000

## Resources and Conflicts

An increase in the population in the urban area leads to increases in economic activities and consumption. An important issue is that the existing resources in that urban area are insufficient to support the population and it must look for other resources. This is the beginning of conflicts between the city and community, for example, a conflict in utilization of water from Lum Sae Reservoir at Nakhon Ratchasima Municipality, a protest on the construction of dams and power plants, etc. Thus, the government administration must create balances on the needs of both metropolises and community-owned resources.

Singapore is a good example in the management of limited resources both on demand and supply sides by specifying a goal to reduce water utilization down from 155 liters/person/day to 140 liters/person/day in 2030 and emphasizing in area development in the city as rainwater reservoirs up to 90% in 2060 and architectural development by considering benefits for collecting rainwater, which also exists in Australia. On the energy side, electricity generation from renewal energy helps reductions in green house gases and electricity generation for own uses, e.g., solar cells on the

roofs and high buildings, are developed to be more suitable for uses. All of these are attempts to make the metropolis survived by reducing its reliance on community-owned resources.

#### **Acquiring, Consuming, and....**

Wastes, sewages, and wastewater are final byproducts from both production and consumption activities. Many metropolises have to invest in good sanitation systems for collecting, storing, separating, and treating wastewater before releasing into the natural water resource. One good example is Chong Ke Son Canel in Seoul, South Korea, where it was originally in rotten conditions and lived by very dense population in 2005 and it was later developed to be a beautiful place for recreation and important tourist area in the city. In Thailand, a royal project of "Environmental Research and development at Lam Phuk Bia" is also an initiative to develop waste disposal area to be a tourist area. Meanwhile, many developed countries reuse treated wastewater, for example, Singapore, London, Australia, etc.

#### **Not Who But Us, Not Tomorrow But Today**

What people in the metropolis should start to do is maximizing resource utilization. Even though, long-term technological development tends to reduce the resource utilization but it is important to study and understand, especially the policy on "Polluter Pays Principle" that starts to become more tangible in Tokyo Protocol and be well-known all over the world. This policy gives precedence to the reduction of green house gases and specifies values that the polluter must pay according to the so-called product of "Carbon Credit" in order to create a driving force to reduce the pollution and turn to use more environmental friendly products. Currently, many large cities all over the world try to make people aware that in fact all wastes and pollutions come from "all of us" and start to test a "willing to pay" philosophy in various ways starting from basic fees such as raw water, waste collection, and wastewater treatment, for a better quality of life.

In conclusion, an expansion of the metropolis is a natural thing and it cannot be stopped but we can specify directions and create sustainability. In the future, a powerful metropolis may not mean the city with economic prosperity but it is a metropolis that people can balance their lives on economy, happiness, and environmentally friendliness, with participation from everyone in the metropolis.

## Message from Chairman of the Board of Directors

Thai Tap Water Supply Public Company Limited and its subsidiaries continue the operation into the second decade with an intention to be a part in promoting quality of life and environment in Thai society as well as being responsible for the community and stakeholders. Moreover, it is the company's intention to conduct the business according to good governances and manage investment risk with caution. In 2010, the company expanded the production capacity to increase its capability of producing tap water from 320,000 m<sup>3</sup>/day to 440,000 m<sup>3</sup>/day in order to support the needs of tap water utilization in areas with continual growth rates.

In 2010, the company reviewed and adapted its vision to "To Be the Country's Leading Company Operating in Water, Energy and Eco-Friendly Business" and adjusted its business plans and investment structures by giving priority to investment in wastewater treatment, renewable energy, and environmental friendly businesses along with the tap water business in order to strengthen its financial security.

On behalf of the Board of Directors, Executives, and employees, I would like to thank all shareholders and stakeholders who have confidence in the company for many years. With knowledge and experiences of the executive team and employees and support from all important agencies, we are confident that the company will have sustainable growth under a consideration of maximum benefits to the shareholders and stakeholders.



(Dr. Thanong Bidaya)

Chairman of the Board of Directors

## Report of the Audit Committee

The Audit Committee comprised of 3 independent directors who were knowledgeable and had the expertise in finance, accounting, law, engineering and management, including the qualifications as specified in the Charter of the Audit Committee by the Securities and Exchange Commission. Three independent directors were appointed, namely, Mr. Techapit Sangsingkeo as the Chairman of the Audit Committee, Mr. Phairuch Mekarporn and Mr. Somnuk Chaidejsuriya as the members of the Audit Committee, and the Internal Audit Section Chief acted as the Secretary of the Audit Committee.

The Board of Directors has specified the scope of work to the Audit Committee whereby the Audit Committee shall hold at least 4 meetings annually. In 2010, the Audit Committee held 4 meetings, whereby all Audit Committees attended 4 meeting and one of them was absent from one meeting., to consider and approve various matters which could be summarized as follows:

1. The Audit Committee reviewed the quarterly and the 2010 annual financial statements whereby the auditor and the management of the company were responsible for preparing the accurate and reliable financial reports as required by Generally Accepted Accounting Principles and disclose sufficient information of financial statements in a timely manner. The Audit Committee agreed with the auditor that the abovementioned financial statements showed the financial position and the results of operation in accordance with Generally Accepted Accounting Principles.

2. The Audit Committee approved the internal audit plan and reviewed the internal audit results, including evaluating the performance and the internal control system during the year 2010. It could be concluded that the company and its subsidiary had sufficient and appropriate internal control system which had been reviewed and revised to efficiently accommodate changing circumstances.

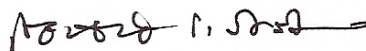
3. The Audit Committee reviewed transactions and the disclosure of information on related party transaction or conflicts of interest transaction during the year 2010. This was to ensure that the related party transactions were justified and provided the greatest benefits to the company and the shareholders. Moreover, the Audit Committee reviewed those transactions to ensure their compliance with the policy on related party transactions specified according to rules and regulations set by the Stock Exchange of Thailand (SET) and Securities and Exchange Commission (SEC).

4. The Audit Committee reviewed the company's operations to ensure its compliance with the securities and exchange law, the SET regulations, and the laws relating on the company's business, including regulations of the company.

5. The Audit Committee proposed the Board of Directors to appoint Miss Siraporn Aueanankul, Certified Public Accountant No.3844, and/ or Mr.Khitsada Lerdwana, Certified Public Accountant No. 4958, and/ or Mr. Supachai Phanyawattano, Certified Public Accountant No. 3930, of Ernst & Young Office Ltd., as the company's auditor for the year 2010 with the audit fee not exceeding Baht 1,125,000.

6. The Audit Committee considered the supporting procedures to ensure that the stakeholders had received the proper care according to their legal rights and supervised the company to disclose any material information on the financial and non-financial information with accuracy, adequacy, transparency, fairness and reliability, and in a timely manner.

The Audit Committee had used its knowledge and capabilities to perform their duties with cautiousness and independence. The Audit Committee had no access limit to any information. Moreover, the Audit Committee had provided advices on the relating matters through proper cooperation of the company's management, internal and external auditors. The Audit Committee had monitored the operations of the company in 2010 according to the scope of their roles and responsibilities and stated that the financial statements of the company were correctly prepared and in accordance with Generally Accepted Accounting Principles. As a result, the financial reports fairly presented accurate and reliable information with adequate disclosure of related party transactions or any transactions that would give rise to conflicts of interest. An appropriate authorization and approval procedures had been set and complied according to a good internal control system without any material weakness. Furthermore, risks were appropriately managed to the nature of business with the compliance with the SET regulations and any relevant laws.



(Mr. Techapit Sangsingkeo)

Chairman of the Audit Committee

## **Vision, Mission, Corporate Values**

### **Vision**

To Be the Country's Leading Company Operating in Water, Energy and Eco-Friendly Businesses.

### **Mission**

To grow on a firm, continuous and sustainable basis in order to accomplish our vision through the balance of interests among customers, employees, business partners, shareholders, communities and environments.

### **Corporate Values**

Running business to fulfill our vision and mission on the basis of sharing highest satisfaction and benefits among stakeholders by means of:

- Continuous improvement
- Proactive & initiative and
- Teamwork

## Revenue Structure

In 2007, the Company has invested in 98% paid-up capital of Pathum Thani Water Co., Ltd. In August 2009, the Company acquired the operation rights to manage water and waste water at Bangpa-In Industrial Estate. Therefore, major revenues of the Company and its subsidiaries consisted of tap water sales in Samutsakorn and Nakornpathom provinces, tap water sales and waste water management service at Bangpa-In Industrial Estate, and tap water sales in Rangsit area and Pathumtani province. The details of revenues are presented below:-

Description	2010		2009		2008	
	(Mil.Bt.)	%	(Mil.Bt.)	%	(Mil.Bt.)	%
Sales and services	2,968	68	2,659	66	2,356	66
Sales – PTW	1,378	32	1,347	34	1,213	34
Total revenues	4,346	100	4,006	100%	3,569	100

## Significant Financial Information

(Unit : Million Baht)

Description	Consolidated Financial Statements			Separate Financial Statements		
	For the year ended December 31			For the year ended December 31		
	2010	2009	2008	2010	2009	2008
Total assets	21,488	21,064	17,895	21,167	20,868	14,547
Total liabilities	12,004	12,370	9,558	11,876	12,260	6,188
Shareholders' equity	9,484	8,695	8,336	9,291	8,608	8,360
Sales and services	4,395	4,048	3,569	2,968	2,659	2,356
Total revenues	4,420	4,067	3,639	3,554	2,991	2,478
Cost of sales and services	1,294	1,199	1,177	798	683	629
Administrative expenses and management expenses	197	208	168	135	147	118
Gross margin	3,101	2,850	2,428	2,170	1,976	1,727
Net income	2,063	1,594	1,358	1,958	1,485	1,000
Book value per share (Bt./share)	2.38	2.18	2.08	2.33	2.16	2.10
Basic earnings per share (Bt./share)	0.52	0.40	0.37	0.49	0.37	0.27

## Financial Ratio

Description	Consolidated Financial Statements			Separate Financial Statements		
	For the year ended December 31			For the year ended December 31		
	2010	2009	2008	2010	2009	2008
<b>Profitability ratios</b>						
Gross profit margin (%)	69.83	70.39	67.36	73.11	74.33	73.28
Net profit margin (%)	46.74	39.18	37.33	55.11	49.67	40.36
Return on equity (%)	22.70	18.77	20.89	21.89	17.51	14.86
<b>Efficiency Ratios</b>						
Return on assets (%)	9.70	8.18	7.43	9.32	8.39	6.72
Return on fixed assets (%)	19.12	16.03	14.64	16.54	18.99	14.78
<b>Debt service coverage ratio</b>						
Debt / Equity (times)	1.27	1.42	1.15	1.28	1.42	0.74
EBITDA / Interest (times)	7.60	5.63	4.69	5.32	5.36	3.90
Net Debt / EBITDA (times)	2.39	2.52	2.96	2.82	3.50	2.44
Dividend Yield (%)	61.84	77.61	44.06	64.21	83.27	59.85



## Operation Result Analysis and Report

### Significant Matters Happened in 2009 and 2010

a) As of 26<sup>th</sup> February 2009, the company has issued and offered 3-year, 5-year and 7-year senior and non-secured debentures, totaling of THB 7,000 million in order to repay for the long-term loan and expand the production capacity and water distribution. Details of debentures can be summarized as follows:

Debentures	Maturity date	Interest rate	Amount (Million Baht)
Debenture series 1: 3-year tenor	26 February 2012	4.00% per annum	3,500
Debenture series 2: 5-year tenor	26 February 2014	4.75% per annum	1,700
Debenture series 3: 7-year tenor	26 February 2014	5.35% per annum	1,800

In issuing the debentures to prepay the long-term loan this time, the company has to pay the prepayment fee of THB 116.8 million. However, the company can manage to decrease the interest rate risk from the interest rate that tends to increase in the future.

b) On 7<sup>th</sup> August 2009, the company has purchased the right to manage water and waste water (management right) in Bangpa-In industrial estate of THB 1,400 million. The company has engaged in a floating rate long-term loan with MLR minus 2.00-2.25% per annum from the financial institution in order to purchase the management right and with the principal repayment of 10 years.

c) On 30<sup>th</sup> October 2009, the company has changed the structure of long-term loan from financial institution which is the floating rate loan of THB 3,600 million with MLR minus 2.00-2.25% per annum and 10-year principal repayment as after the company has received such loan the Pathum Thani Water Company Limited had borrowed THB 3,100 million from the company to repay for long-term loan. With the prepayment, Pathum Thani Water Company Limited has to pay for prepayment fee of THB 60.7 million.

d) On 1<sup>st</sup> September 2010, the company has completed its expansion of production capacity and water distribution, causing the company to able to produce and distribute water as much as 440,000 cubic meters per day.

## Income analysis of tap water sales

(Unit: Million Baht)

Incomes	2010	2009	Change	Percentage
Tap water— company	2,932.2	2,646.6	285.6	10.6
Tap water — Pathum Thani Water Company Limited	1,377.8	1,347.2	30.6	2.3
Total	4,310.0	3,993.8	316.2	7.9

- The tap water incomes in 2010 have increased by THB 316.2 million or accounting of 7.9%. This is due to 1) an increase of water distribution of the company by 11.5 million cubic meters or accounting of 10.6% and increase of tap water sale price comparing to last year price, 2) in 2010 the company has incomes from managing water in Bangpa-in industrial estate of THB 145.1 million (2009: THB 51.9 million) whereby of that amount THB 6.5 million is from the sales of tap water and 3) the subsidiary can distribute more tap water by 8.1 million cubic meters or accounting of 6.9%.

## Income analysis of service income

(Unit: Million Baht)

Incomes	2010	2009	Change	Percentage
Service fee – Thai Tap Water Supply PCL.	36.1	12.5	23.6	188.8
Service fee – Thai Water Operation Co., Ltd.	48.8	42.1	6.7	15.9
Total	84.9	54.6	30.3	55.6

- In 2010, the service fees have increased by THB 30.3 million or accounting of 55.6%. Since the company has acquired such management right in August 2009, therefore, in 2010 the company has additional incomes from waste water management of THB 36.1 million (2009: THB 12.5 million).

## Expense analysis

(Unit: Million Baht)

Expenses	2010	2009	Change	Percentage
Cost of sales and services	1,294.0	1,198.6	95.4	8.0
Administrative expenses and remuneration	197.0	207.6	(10.6)	(5.1)
Amortization of rights to produce and distribute tap water and manage waste water	36.1	9.7	26.4	272.2
Financial expenses	442.1	667.0	(224.9)	(33.7)
Corporate income tax	181.7	188.0	(6.3)	(3.4)
Total	2,150.9	2,270.9	(120.0)	(5.3)

- The cost of tap water sales and services has increased by THB 95.4 million or accounting of 8%. This is because in 2010 the company has recognized the cost of water and waste water management in Bangpa-in industrial estate of THB 32.2 million (2009: THB 12.2 million) and the sales of tap water of the company and subsidiary have increased.
- The administrative expenses and remunerations have decreased by THB 10.6 million or accounting of 5.1%. This is due to a decrease in legal consultation fees and bank fees of THB 8.2 million.
- Amortization of right to produce and distribute tap water and manage waste water has increased by THB 26.4 million or accounting of 272.2%. This is because in 2010, the company has managed the tap water and waste water in Bangpa-in industrial estate for whole year (2009: the company had managed only for 5 months).
- The financial expenses have decreased by THB 224.9 million or accounting of 33.7%. This is because in 2009 the company and Pathum Thani Water Company Limited have made a long-term loan prepayment to the financial institution. With the conditions prescribed in the loan contract, the company and Pathum Thani Water Company Limited have to pay the prepayment fee of THB 177.5 million.
- The corporate income tax has decreased by THB 6.3 million or accounting of 3.4% while the operation results of the company and subsidiary have increased. This is due to the 2008 corporate income tax of THB 40.3 million paid by Pathum Thani Water Company Limited in second quarter of 2009.

From the analysis of the abovementioned incomes and expenses, the company and its subsidiary have net profit of THB 2,062.9 million, increasing from the 2009 figure by 29.4%.

#### Financial status report and analysis

(Unit: Million Baht)

Incomes	31 Dec 2010	31 Dec 2009	Change	Change
Total assets	21,488.3	21,064.2	424.1	2.0
Total liabilities	12,004.7	12,369.5	364.8	2.9
Shareholders' equity	9,483.6	8,694.7	788.9	9.1

#### Analysis of assets

As of 31<sup>st</sup> December 2010, the company and its subsidiary have total assets of THB 21,488.3 million, increasing from the figures as at 31<sup>st</sup> December 2009 by THB 424.1 million. This is because the company has recognized increasing cost in expanding production capacity and water distribution in 2010 of THB 568.1 million and the cash and cash equivalent of the company and its subsidiary have increased of THB 612.8 million during the year.

#### Analysis of liabilities

As of 31<sup>st</sup> December 2010, the company and its subsidiary have total liabilities of THB 12,004.7 million, decreasing from the figures as at 31<sup>st</sup> December 2009 by THB 364.8 million. This is because the company has prepayment the long-term loans of THB 420 million and other account payables of THB 44.8 million.

#### Analysis of shareholders' equity

As of 31<sup>st</sup> December 2010, the company has shareholders' equity of 9,483.6 million, increasing from the figures as at 31<sup>st</sup> December 2009 by THB 788.9 million. This is due to the net profits in 2010 of THB 2,074 million and dividend payment of THB 1,275.7 million.

#### Analysis of cash flows

In 2010, the company and its subsidiary have cash flows from operating activities of THB 2,737.9 million, cash flows from investing activities of THB (1,458.5) million and cash flows from

financing activities of THB (1,491.1) million. In 2010 the company and its subsidiary have significant activities as follows:

1. The company has recognized the increasing cost in expanding production capacity and water distribution in 2010 of THB 568.1 million.
2. The company has prepayment the long-term loans of THB 420 million.
3. The company has paid for the management rights of THB 214 million from the financial institution's loan.
4. The company has paid dividend payment of THB 1,275.7 million.

#### Audit fees

In 2010, the company has hired the Ernst & Young Office Ltd. to be their auditor according to the resolution passed at 2010 Annual General Meeting of Shareholders, dated 2<sup>nd</sup> April 2010 with the audit fee of THB 1,125,000.

## **Production Expansion**

On 29<sup>th</sup> December 2008, Provincial Waterworks Authority (PWA) has issued an additional tap water purchase agreement to the company, in order to support the increasing of tap water demand. Therefore the company enhanced the capacity of the production and transmission systems from 320,000 m<sup>3</sup>/day to 440,000 m<sup>3</sup>/day costs 1,300 million Baht.

The company awarded the civil works contract to Ch. Karnchang PLC., values 639 million Baht, and the electrical and mechanical works contract to S. Napa (Thailand) Co., Ltd., values 420 million Baht. Both contracts were formatted as EPC (Engineering, Procurement, and Construction) including system testing with contract period of 540 days from the date of contract signing. Furthermore, the company hired Thai MM Co., Ltd. to be the consulting engineer responsible for managing and supervision the project as the project manager.

The plant capacity enhancement project consists of the new construction and upgrade production facilities at the existing Bang Len Water Treatment Plant and including the construction of two new booster pump stations. The details are as follows;

### **1. Enhancement water production system at Bang Len Water Treatment Plant with the production capacity of 440,000 m<sup>3</sup>/day**

- 1.1 Construction of the new raw water pumping station for pumping raw water into the production process.
- 1.2 Construction of the new rapid mixing tank for dosing and mixing air and chemical agents before sedimentation process.
- 1.3 Construction of the new clarifier for sedimentation of raw water after dosing chemicals and the improvement of sludge drain channel.
- 1.4 Construction of the new rapid sand filter for clarified water after the sedimentation process and the improvement of the backwash system.
- 1.5 Addition of the aeration system, the chemical dosing system, and the disinfection system to be adequate for the production increasing.
- 1.6 Addition of the new transmission pump including improvement of the surge suppression system.
- 1.7 Improvement of the electrical system and addition of the transformer to support the power demand increasing.
- 1.8 Improvement of the instrumentation system and SCADA system to control the new production system in parallel to the existing production system.

## **2. Tap Water Transmission System**

2.1 Construction of the new booster pump station at Klong Yong, km. 22+650 Salaya-Bang Pasi Road, Klong Yong Sub-district, Buddhamonthon District, Nakhon Pathom Province. The station will have pumping capacity support to transmission capacity of 440,000 m<sup>3</sup>/day. The booster station has a steel reinforced concrete clear water tank with 36,000 m<sup>3</sup> storage capacity, pump house and water pumps, 115 KV/7.5 MW electrical sub-station, surge suppression system, remote telemetry system to link with the water transmission system from Bang Len Water Treatment Plant, Buddhamonthon Distribution Station (existing), Krathoombaan Booster Station (new), and water distribution system of Buddhamonthon Distribution Station (existing) and Mahachai Distribution station (existing). This booster station shall be established as transmission and distribution control center for Nakhon Pathom and Samutsakorn area.

2.2 Construction of the booster pump station at Krathoombaan, km. 8+600 Sethakij Road, Klong Maduea Sub-district, Krathumban District, Samutsakorn Province. The station will support the transmission capacity of 210,000 m<sup>3</sup>/day. The booster station has a steel reinforce concrete clear water tank with 20,000 m<sup>3</sup> storage capacity, pump house for water pumps, surge suppression system, and remote telemetry system to link with the water transmission control system at Klong Yong Booster Pumping Station.

In addition, the construction of both additional booster pumping stations will increase the storage capacity from existing of 100,000 m<sup>3</sup> to 156,000 m<sup>3</sup> and allow the company to store sufficient tap water in case of emergency or maintenance of the production and distribution facilities without any interruptions on the water distributions to the consumers in the area.

### **3. Tap Water Distribution System**

The company also awarded the contract to ABB Co., Ltd., to install an additional water distribution pumps at Mahachai Distribution Station to have a net distribution capacity of 225,000 m<sup>3</sup>/day during the peak period as well as the variable speed control system for the pump to reduce water pressure in distribution system during the off-peak period and for energy saving efficiently

In August 2010, the company and the PWA coordination working group for the construction progress jointly tested the constructed production and transmission systems of the plant enhancement project on 3<sup>rd</sup> and 10<sup>th</sup> August 2010, respectively. Test results were satisfied and approved by PWA and then the company commenced to supply additional tap water to PWA since 1<sup>st</sup> September 2010, which was earlier than 20<sup>th</sup> October 2010, the specified date in the additional tap water purchase agreement with PWA.



Bang Len Water Treatment Plant,  
production capacity of 440,000 m<sup>3</sup>/day



Klong Yong Booster Pump Station



Krathumban Booster Pump Station



## Good Corporate Governance Report

The Board of Directors has assigned the Corporate Governance Committee to take charge of corporate governance matters as well as to consider trends and movements at the international level in order to find areas for improvement. The Board of Directors, moreover, specifies corporate governance as one of the main items on the agenda at the Board of Directors' meeting. The company also publishes and distributes booklets of Code of Conduct to its employees to create the corporate governance guidelines to ensure effective practice, details shown on company's website, [www.thaitap.com](http://www.thaitap.com)

TTW sees its corporate governance and code of conduct as essential guidelines for the organization; therefore, the emphasis is strongly laid upon principles and practices concerning responsibility and fairness towards all stakeholders. The principles include a clear outline of the structure, components, duties, independence and the performance of the Board of Directors, transparency of information disclosure, a strict auditing system and risk management policies. These build trust and create additional value among the shareholders. TTW has disclosed related information through various media, for example, the annual report, 56-1 form, websites of the Stock Exchange of Thailand (SET) and of TTW.

In addition, the stakeholders have the opportunity to participate in improving the company's operating results through communications with the Investor Relation via e-mail, [ir@thaitap.com](mailto:ir@thaitap.com) . All suggestions will be carefully considered prior to reporting to TTW's executives and the Board of Directors for acknowledgement and consideration.

## Guidelines to Corporate Governance

### The Rights of Shareholders

Shareholders, both as investors and owners of the company, are entitled to all basic rights at acceptable standards, which include the right to freely trade or transfer their own shares, the right to receive dividends from the company, the right to propose the agenda of the meeting, the right to nominate a person to be a director, the right to express opinions independently, the right to make decisions on important affairs of the company e.g. the election of directors, approval of significant transactions influencing the direction of the company. Shareholders have the right to vote at

meeting according to the number of shares owned by each shareholder, whereby one share is for one vote and no particular share allows them privilege to limit the rights of other shareholders.

Apart from the above mentioned rights of the shareholders, TTW has carried out additional tasks to encourage and facilitate shareholders in the exercising of their rights.

1. Provide essential, clear and up-to-date information for shareholders regarding the company's business through TTW's website and SET.
2. All shareholders will receive significant and sufficient detailed information concerning the date and the agendas prior to the date of shareholders' meeting. The shareholders' right to attend the meetings and the right to vote on resolutions will be clearly stated in the notice of the meeting submitted by the company.
3. In a case where shareholders are unable to attend a meeting, they are entitled to appoint a representative e.g. an independent director or a person to act as their proxy, using any proxy form attached to the notice of the meeting. The company has prepared the proxy forms in compliance with the specifications defined by the Ministry of Commerce in which the shareholders can exercise their voting rights as wished. In addition, TTW provides to shareholders the duty stamp to be sealed on the proxy form for their convenience.

Shareholders who arrive after the meeting has commenced are able to vote on the agenda item being considered provided that a resolution is not yet made. They shall constitute part of the quorum starting from the agenda item that they are in attendance and exercise their voting rights.

4. On the date of the meetings, the company uses the barcode system for registration to ensure convenience of shareholders as each reference number is already included in the registration form. In addition, for each agenda, the company will collect the ballot paper from the shareholders who vote "disapprove" or "abstain" in order to deduct the votes from the total entitled voting rights. The company applies the e-voting system to perform the calculation in order to ensure immediate voting results prompt for announcement right after the end of each agenda. Shareholders are entitled to verify each voting result after the meeting.
5. At the meetings, shareholders are allowed to freely express their opinions, give suggestions, and raise questions on any agenda item before casting votes to ensure that shareholders have sufficient detailed information on the matters. Should shareholders have

questions or inquiries, specialists in specific fields are available to answer queries under the responsibility of the Boards.

6. An agenda on the Board's remuneration is included to inform the shareholders of the amount and type of remuneration received by each director including meeting allowance and the Board's bonus. The detailed information can be found in the company's annual report on page.....

## **The Equitable Treatment of Shareholders**

### **Internal Information Control**

The Board of Directors has established measures to control the usage and prevent the misuse of internal information (insider trading) for the personal benefit of the concerned person, namely the Board of Directors, executives and employees working in related departments (including their spouses and children who are minors).

- All concerned persons are prohibited from trading the company shares for a 24-hour period after the release of the company's quarterly and annual financial statements.
- Should they have knowledge of confidential information that could have any impact on the company's share price; they are prohibited from trading the company shares until after a 24-hour period from the public disclosure.

### **Conflict of Interest Prevention.**

The Board has established policies and measures as follows :

- TTW has a clear and transparent shareholder structure. There is no cross-holding of major shareholders, thereby , preventing any conflict of interests or transfer of benefits to one party or another. The shareholder structure of TTW and its subsidiaries is published in the company's annual report, also the Board member's ordinary shares and debentures.
- There is a clear separation of duties and responsibilities of the Board, the management, and shareholders, thereby, ensuring no overlapping of their duties and responsibilities. The directors or executives who may have interests in any agenda under consideration must not attend the meeting nor vote on such agenda. This is to ensure that the Board and executives make decisions in a fair manner for the benefits of shareholders.
- The company has an established policy governing the use of internal information.

## **The Role of Stakeholders in Corporate Governance**

The Board of Directors oversees the management system to ensure that the company acknowledges the right of stakeholders, both as stated by law and as written in Corporate Governance and Code of Conduct. The company also ensures that those rights and the shareholders, employees, customers and business partners are treated equally.

**Shareholders** : Besides the basic rights of shareholders and the rights stipulated by the law and the company's regulations, such as the right to attend the shareholders' meetings, the right to vote at the meetings, the right to freely express opinions at the shareholders' meetings, and the right to receive a fair return, TTW also gives shareholders the rights, as the owner of the company, to make suggestions and comments on the company's affairs. Each comment and suggestion will be carefully considered and presented to the Board of Directors.

**Employees** : TTW truly believes that employees are the most valuable assets and is determined to ensure that every employee is proud of and confident in the organization. In the previous year, TTW organized activities to promote a collaborative working environment to enhance the competence of employees. Furthermore, the company focuses on promoting employee's health, safety, as well as good working conditions and competitive remuneration.

**Customer** : It is a concern to TTW that customers be provided with the benefits in terms of cleanliness, sufficiency and availability, and the company is determined to develop and maintain sustainable relationships with customers. It has set supporting activities to provide product information, solve problems and receive complaints in order to ensure satisfaction for customers.

**Business partners** : TTW operates its business by upholds promises, Code of Conduct and commitments.

**Creditors** : TTW practices under the terms of loans and obligations of its creditors.

**Society** : TTW ensures that its business operation is fair to related parties. The company supports activities which develop the quality of life and create happiness to community and society in which TTW operates. Furthermore, TTW encourages its employees and related parties to partake in activities that are beneficial to the community and society.

**Environment** : TTW sets the guidelines for development which are applied to the operations of its business, aiming to respect of the environmental management. The concept is integrated in the designs of the production process and technology to make them eco-friendly and to minimize the impact to the community. Additionally, the company constantly raises awareness

regarding environmental conservation and encourages its employees and related parties to participate in saving the environment.

#### **Disclosure and Transparency**

TTW realizes the importance of information disclosure as it greatly affects the decision-making of investors and stakeholders. TTW is committed to obeying the law, regulations and obligations mandated by the Securities and Exchange Commission (SEC), SET and other related government sectors.

1. Disclose accurate, complete and timely financial information and non-financial information.
2. Prepare the report of the Board's responsibility for financial statements and present it along with the Audit Committee's report in an annual report.
3. Require the company's directors and executives report the interests of themselves and related person which are vested interests relating to management of the company or subsidiaries through the Company Secretary, who will gather, store and submit the documents to the Chairman of the Board of Directors and the Chairman of the Audit Committee for acknowledgement within 7 days the company receives the documents.
4. Disclose the performance and attendance record of each member of the committee.
5. Disclose detailed information on the operation and investment structure in subsidiaries and associate companies.
6. Disclose information on the remuneration each director receives as a member of the committee.

The Investor Relation of TTW is responsible for communications with institutional investors, shareholders, analysts and related government sectors on an equal basis. Should the shareholders require additional information, they can contact the Investor Relation directly via [ir@thaitap.com](mailto:ir@thaitap.com). In 2010 TTW has arranged activities such as analyst meeting, roadshow both local and international, and company visit that enabled the company to meet investors and analyst to present the operating results, financial reports and status, management discussion & analysis. Besides, TTW regularly responds to inquiries from investors through email and telephone.

## **Social, Community and Environmental Activities**

In 2010, the company continued activities from the previous year and focused on supporting the community in the service area in various issues such as health promotion, sport activities, education, and safety of community's properties; being a knowledge resource in tap water production; bestowing drinking water and consumer goods to disaster victims in the Northeastern and Southern regions; as well as participating in environmental campaign, especially on Tha Chin River, which is the water resource for the tap water production. Moreover, the company built a new school building to replace the old one at Wat Sukwatanaram School, Bang Len District, Nakhon Pathom Province, in the occasion of the 10<sup>th</sup> anniversary celebration in 2010.

## Nature of Business

The company engages in public business of producing and distributing tap water to the Provincial Waterworks Authority (PWA) covering the area in Nakhon Chaisri District, Sampran District, Buddhamonthon District, Nakhon Pathom Province and Muang Samutsakorn District, Krathumban District, Samutsakorn Province, in order to replace the tap water production from PWA's groundwater wells and increase the tap water production capacity sufficient for the consumer's demand so as to help resolve problems from the land subsidence and saltwater penetration in the ground layer according to the government's policy.

Since 2004, the company started distributing tap water to PWA and the business has been grown continuously. In 2010, the company conducted a project to expand the production capacity from 320,000 m<sup>3</sup>/day to 440,000 m<sup>3</sup>/day. The project was complete and was able to distribute more water to PWA in the end of the 3<sup>rd</sup> quarter in accordance with the additional tap water purchase and sale agreement. Once combined with the production capacity of 388,000 m<sup>3</sup>/day at Pathumthani Water Plant, the company has total production capacity of more than 820,000 m<sup>3</sup>/day, so the company maintains its status as the largest private tap water producer in Thailand.

In 2010, the company's performance was corresponding to its goals that the income was increased by 8% compared to the previous year reflecting in economic and social growths in the service area, especially in Samutsakhon Province where the income per population was ranked second in Thailand. In this year, the company has been operated for 10 years by determinedly holding on to its status as the public utility service provider. The company has an expansion plan for investment in foreign countries on the tap water business and wastewater business as well as energy and environmental businesses to be in line with its vision, mission and 5 years business plan that was approved by the Board of Directors in 2010.



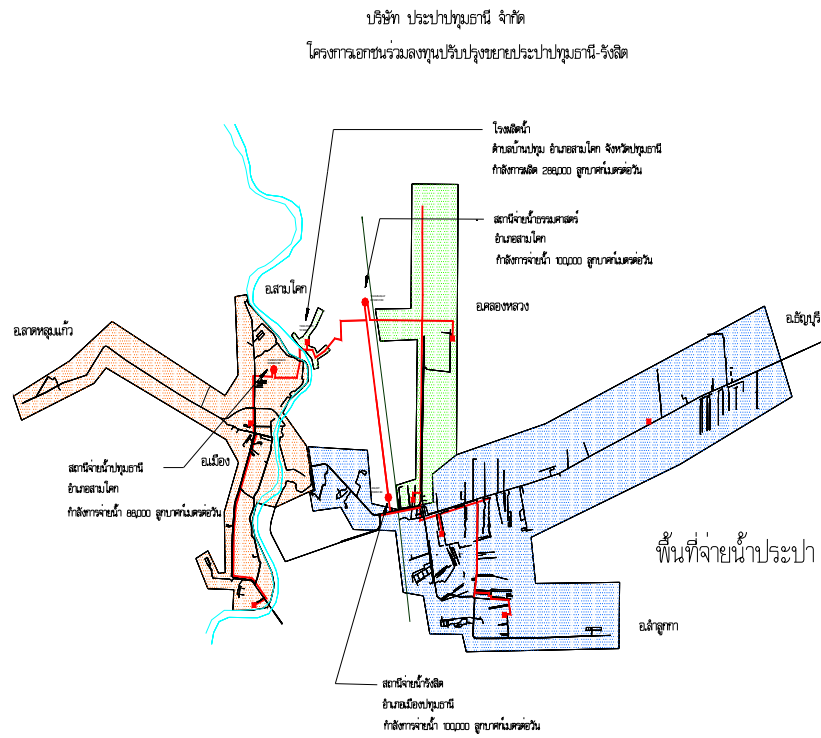


## Tap Water Production and Distribution in Pathumthani

Pathumthani Water Co., Ltd., a subsidiary of the company, operates the business in production and distribution of tap water to PWA covering area in Pathumthani. Presently, Pathumthani Water Co., Ltd. has a maximum production capacity of 388,000 m<sup>3</sup>/day and distributes tap water to PWA at a minimum water volume of 330,000 m<sup>3</sup>/day.

In 2010, Pathumthani Water Co., Ltd. had total tap water distribution volume of 125 million m<sup>3</sup>, a growth of 8 million m<sup>3</sup> or 7% compared to 2009. In this year, total accumulated tap water distribution since the first distribution to PWA in 1998 was 1,043 million m<sup>3</sup> and the income from water distribution increased by 2.25% compared to the previous year.

## Layout of Tap Water Distribution Area in Pathumthani



## Tap Water Production and Distribution in Bang Pa-In Industrial Estate, Phra Nakhon Sri Ayuddaya

In 2009, the company bought the rights to manage tap water and wastewater in Bang Pa-In Industrial Estate for 30 years, total value of 1,400 million Baht, having the tap water production capacity of 48,000 m<sup>3</sup>/day and wastewater treatment capacity of 18,000 m<sup>3</sup>/day. Main reasons for the company to enter and buy the rights were; 1) to reduce reliance in income from the single customer, i.e, the Provincial Waterworks Authority (PWA) and increase the service area, 2) to expand skill, knowledge, and experience in wastewater treatment business, and 3) to provide integrated services directly to the customers.

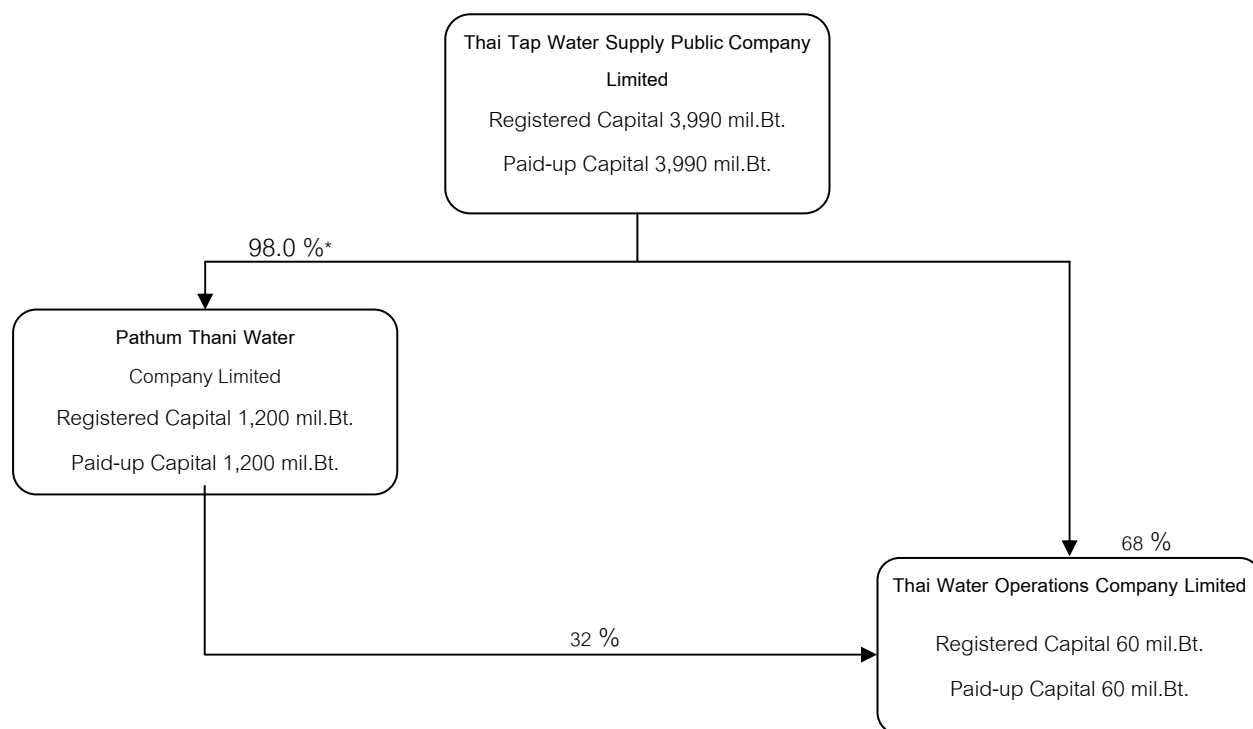
In 2010, the income from the business at Bang Pa-In Industrial Estate continued to increase when compared to that in 2009.

## General Information of the Company

### Thai Tap Water Supply Public Company Limited

- Registered No. 0107549000114
- Head Office 30/10 Moo 12 Buddhamonthon 5 Road, Tambol Rai Khing  
Amphur Sam Phran Nakhon Pathom Province 73210  
Telephone 0-2811-7526, 0-2811-7528, 0-2811-8369,  
0-2811-7685-6, 0-2811-8100  
Facsimile 0-2420-6064  
Homepage <http://www.thaitap.com>
- Business Production and distribution of tap water for the Provincial  
Waterworks Authority
- Registered Capital Baht 3,990,000,000
- Ordinary Shares 3,990,000,000 shares
- Par Value Baht 1 per share
- Paid-up Capital Baht 3,990,000,000
- Ticker TTW
- Contact Investor Relations  
Email [ir@thaitap.com](mailto:ir@thaitap.com)  
Telephone 0-2811-7528 Ext. 209

## TTW and its subsidiaries Structure



Remarks : \*2% holding by PWA

## List of Subsidiaries

### Pathum Thani Water Company Limited

- Address 43 Moo 3 Chiang Rak Noi-Bang Sai Road, Ban Pathum,  
Sam Khok, Pathum Thani 12160
- Telephone 0-2979-8530-2
- Facsimile 0-2979-8533
- Business Production and distribution of tap water for the Provincial  
Waterworks Authority
- Registered Capital Baht 1,200,000,000
- Ordinary Shares 12,000,000 shares
- Par Value Baht 100 per shares
- Paid-up Capital Baht 1,200,000,000

### Thai Water Operations Company Limited

- Address 587 Viriyathavorn Building, CH Floor, Sutthisarnvinitchai  
Road, Dindaeng, Dindaeng, Bangkok 10400
- Business Administration and management of tap water production and  
distribution system and wastewater treatment system
- Registered Capital Baht 60,000,000
- Ordinary Shares 600,000 shares
- Par Value Baht 100 per shares
- Paid-up Capital Baht 60,000,000

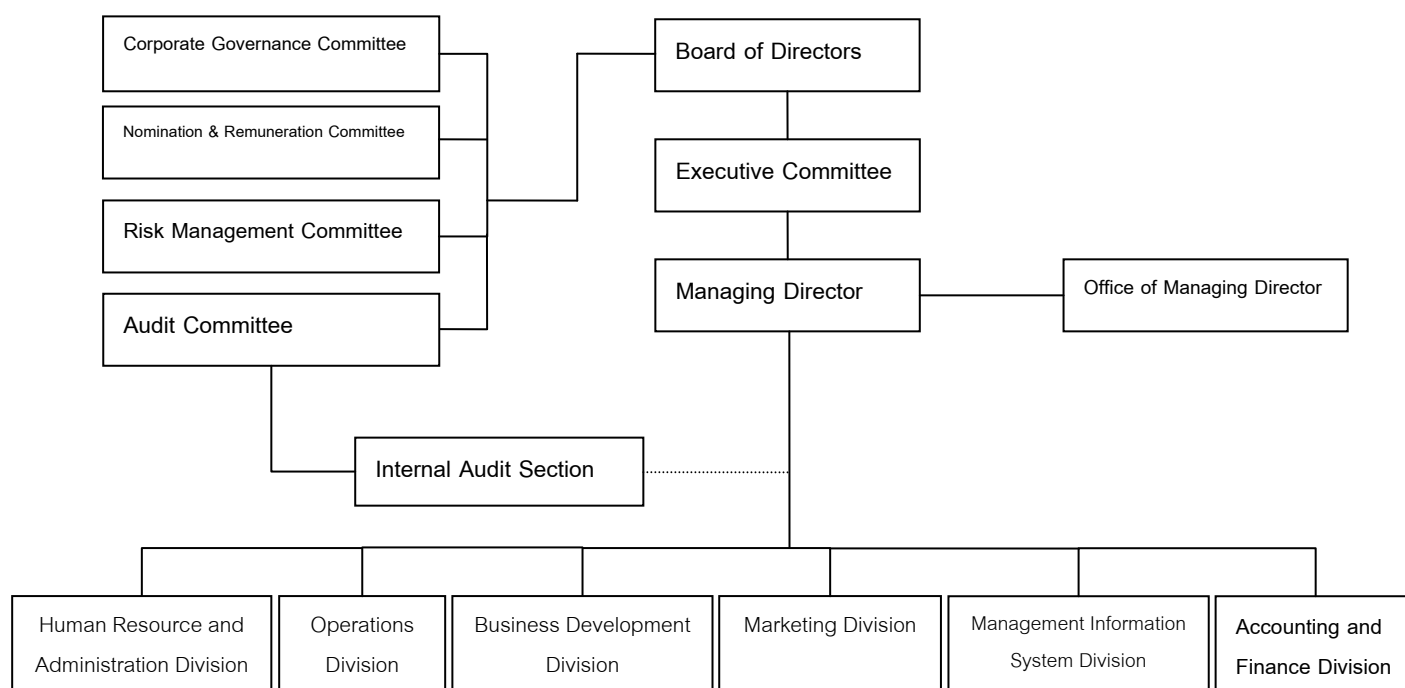
## Shareholding Structure

List of top ten shareholders as at December 31, 2010

List of Shareholders	Number of Shares	Shareholding (%)
CH. Karnchang Public Company Limited	1,198,777,400	30.04%
Mitsui Water Holdings (Thailand) Company Limited	1,036,500,000	25.98%
Bangkok Expressway Public Company Limited	368,750,000	9.24%
<a href="#">Thai NVDR Company Limited</a>	172,208,377	4.32%
Bangkok Life Assurance Public Company Limited	98,916,800	2.48%
RBC Dexia Investor Services Bank S.A.	74,480,200	1.87%
Bangkok Bank Public Company Limited	73,895,000	1.85%
Mr.Priwan Chartpitak	63,250,000	1.59%
State Street Bank and Trust Company for London	56,198,200	1.41%
BNP Paribas Securities Services, London Branch	54,037,900	1.35%

## Management Structure

As at December 31, 2010, the Company's management structure is as follows:



The Board of Directors consists of the Chairman of the Board of Directors and directors, totaling at least five persons, but no more than 15 persons, provided that not less than one half of

the total number of directors shall be non-executive directors, and at least three persons or one-third of the total number of directors shall be independent directors.

The Company's management structure comprises six committees, namely, the Board of Directors, the Executive Committee, the Audit Committee, the Nomination and Remuneration Committee, the Corporate Governance Committee and the Risk Management Committee, as well as the executive management. The Board of Directors has four independent directors who have the following qualifications:

The directors shall have such qualifications and have no prohibited characteristics as set forth in the Public Limited Companies Act, with a three-year term of office.

The appointment of directors shall be transparent and comply with the Company's Articles of Association as well as the criteria and procedures as established by the Nomination and Remuneration Committee. Names and backgrounds of candidates nominated for appointment as directors shall be submitted through the Nomination and Remuneration Committee and the Board of Directors for consideration to seek approval from the shareholders' meeting. The said nomination process shall also allow the minority shareholders to nominate candidates for consideration and selection.

#### **Board of Directors**

As at December 31, 2010, the Board of Directors comprises twelve directors as follows:

- |                              |   |
|------------------------------|---|
| 1. Dr. Thanong Bidaya        | Chairman of the Board of Directors and Independent Director                                 |
| 2. Mr. Plew Trivisvavet      | Director, Vice-Chairman   |
| 3. Mr. Techapit Sangsingkeo  | Independent Director, Chairman of Audit Committee and Chairman of Risk Management Committee |
| 4. Mr. Phairuch Mekarporn    | Independent Director , Chairman of Nomination and Remuneration Committee                    |
| 5. Mr. Somnuk Chaidejsuriya  | Independent Director , Chairman of Corporate Governance Committee                           |
| 6. Mr. Narong Sangsuriya     | Director , Chairman of Executive Committee  |
| 7. Mr. Prasert Marittanaporn | Director, Risk Management Committee, Nomination and Remuneration Committee                  |
| 8. Mr. Suvich Pungchareon    | Director, Executive Committee   |



9. Dr. Sombat Kitjalaksana	Director, Executive Committee
10. Mr. Koichi Wakana	Director, Nomination and Remuneration Committee
11. Mr. Tomonori Susuki	Director, Executive Committee, Risk Management Committee
12. Mr. Sompodh Sripoom	Director, Executive Committee, Corporate Governance Committee, Risk Management Committee, Company Secretary

The term of office is three years each. At every Annual Ordinary General Meeting, one-third of the total number of directors shall retire, provided that those retiring directors for the first and second years after the Company's incorporation shall be drawn by lots, and for subsequent years, such directors with the longest term of office shall retire. Retiring directors may be re-elected for appointment as directors.

#### **The Company's Authorized Signatory Directors**

The Company's authorized signatory directors shall be: (1) any two of these five directors, namely, Mr.Plew Trivisvavet, Mr.Narong Sangsuriya, Mr.Sombat Kitjalaksana, Mr.Prasert Marittanaporn and Mr.Sompodh Sripoom, jointly sign and affix the Company's seal; or (2) either Mr.Plew Trivisvavet or Mr.Narong Sangsuriya or Mr.Sombat Kitjalaksana or Mr.Prasert Marittanaporn or Mr.Sompodh Sripoom, and either Mr.Koichi Wakana or Mr.Tomonori Susuki, totaling two directors, jointly sign and affix the Company's seal.

The Board of Directors shall regularly meet every three months, with additional meetings as necessary. Agenda of each meeting shall be clearly determined in advance, with regular agenda item for follow-up on operations. The Office of the Managing Director shall send notice of the meeting, together with agenda of the meeting, at least 10 days prior to the meeting date, and such documents in support of the meeting shall be delivered at least seven days in advance, so as to allow the Board of Directors to have sufficient time to review such information prior to attending the meeting. The Board of Directors held four meetings in the year 2010.

#### **Powers and duties of the Board of Directors**

The Board of Directors shall take responsibility towards the shareholders in respect of the Company's business operations, and supervision of the Company's operations to be in line with the guidelines and goals, which would give rise to the optimum benefits to the shareholders, subject to the code of ethics and taking into account the benefits of all interested parties:

1) Supervising the Company's operations to ensure compliance with laws, objectives and the Company's Articles of Association, as well as resolutions of the shareholders' meetings, and protecting the Company's interest based on the good corporate governance principles.

2) Determining policies and directions of the Company's operations and supervising the management to take actions to ensure compliance with the policy with efficiency and effectiveness so as to result in the optimum economic value to the business and great prosperity to the shareholders.

3) Approving vision, mission, corporate value as anticipated by the Company, and the business ethics.

4) Arranging for and supervising the administration in compliance with the good corporate governance principles.

5) Considering approval for budget for investment and budget for the Company's annual business operations, including monitoring the use of the Company's resources.

6) Providing complete, correct and sufficient reports on financial information, data and general information which are important for shareholders, and affirming the certification of the reported information.

7) Arranging for the Company to have an efficient internal control and audit system as well as appropriate and adequate risk management measures, including following up on such matters on a regular basis.

8) Considering clearly determining and separating roles, duties and responsibilities among the Board of Directors, the Executive Committee, subcommittees and the management, with regular communication regarding such roles, duties and responsibilities to the Board of Directors, the Executive Committee, subcommittees, the management and staff of the Company.

9) Supervising the Executive Committee, subcommittees and the management to comply with the specified policies.

10) Considering performance evaluation, determination of salaries, wages, welfare, bonus, allowance and other remuneration, including expenses and facilities of the Managing Director, as well as determining backup plan for nominating personnel to hold major office of the management should the management become unable to perform the duties.

11) Considering revision of the scope of powers, duties, responsibilities and roles of the Executive Committee, subcommittees and the management as appropriate.

## **Executive Committee**

As at December 31, 2010, the Executive Committee comprises five members as follows:

1. Mr. Narong Sangsuriya     Chairman of the Executive Committee
2. Mr. Suvich Pungchareon   Member
3. Dr. Sombat Kitjalaksana   Member
4. Mr. Tomonori Susuki       Member
5. Mr. Sompodh Sripoom      Member

## **Scope of powers and duties of the Executive Committee**

1) Supervising the Managing Director's performance to ensure compliance with resolutions, policies and strategies as determined by the Board of Directors, as well as providing advice and suggestions to the Managing Director.

2) Supervising the conduct of feasibility studies on new projects, and approving implementation of projects as it deems appropriate within an amount under (3).

3) Having power to approve execution of any juristic acts which would have binding effect upon the Company within an amount of not exceeding Baht 50 (Fifty) Million, provided that such approval shall involve neither any transactions giving rise to conflict or interest against the Company or its subsidiaries.

4) Having power to consider, approve and/or determine policies on administration and business operation of the Company or any actions which would have binding effect upon the Company, subject to the scope of policies and strategies as determined by the Board of Directors.

5) Having power to employ, appoint, impose disciplinary action, terminate, dismiss, remove, determine salary, bonus, benefits, and other remunerations, including expenses and facilities of the Company's officers or staff in the position of Division Manager or equivalent and higher, but excluding the Managing Director.

6) Having power to appoint, determine authorities and duties, delegate direction of supervision policy, determine remunerations, allowances, expenses and facilities for special workgroups for carrying out specific works, including to approve proposals of special workgroups within an amount under (3).

7) Having power to appoint chairman of the advisors, advisors and/or advisory board to the Executive Committee as appropriate, whereby remunerations, allowances, expenses and facilities for the said chairman of the advisors, advisors and/or advisory board shall be determined by the Nomination and Remuneration Committee.

- 8) Performing other duties as delegated from time to time by the Board of Directors.

#### **Audit Committee**

As at December 31, 2010, the Audit Committee comprises three independent directors as follows:

1. Mr.Techapit Sangsingkeo Chairman of the Audit Committee
2. Mr.Somnuk Chaidejsuriya Member
3. Mr.Phairuch Mekarporn Member

#### **Scope of powers and duties of the Audit Committee**

- 1) Reviewing the Company's financial reports to ensure the correctness and adequate disclosure.
- 2) Reviewing the internal control and internal audit systems of the Company to ensure the suitability and efficiency.
- 3) Reviewing the Company's operation to ensure its compliance with the laws on securities and exchange, the regulations of the Stock Exchange, or such laws, rules and regulations and policies relating to the business of the Company.
- 4) Considering the Company's disclosure in respect of related party transactions or such transactions which may give rise to conflict of interest, to ensure the accuracy, completeness and timeliness.
- 5) Considering, selecting, nominating for appointment and proposing remuneration for the Company's auditor to the Board of Directors for further submission to seek approval of the shareholders.
- 6) Preparing the Audit Committee's corporate governance report to be disclosed in the Company's annual report, whereby such report shall be signed by the Chairman of the Audit Committee.
- 7) Performing other duties as delegated by the Board of Directors and with approval of the Audit Committee.

#### **Nomination and Remuneration Committee**

The Board of Directors appoints the Nomination and Remuneration Committee to help consider selecting qualified persons to take office as directors, the Managing Director as well as

setting out criteria for consideration of remuneration. As at December 31, 2010, the Nomination and Remuneration Committee comprises three members as follows:

1. Mr. Phairuch Mekarporn      Chairman of the Nomination and Remuneration Committee
2. Mr. Prasert Marittanaporn      Member
3. Mr. Koichi Wakana      Member

#### **Scope of powers and duties of the Nomination and Remuneration Committee**

1) Considering the criteria and procedures for recruiting persons qualified to take office as directors of the Company, including selecting persons in accordance with the specified nomination procedures for submission to the Board of Directors for consideration and appointment, or for submission to the shareholders' meeting for consideration and appointment, as the case may be, provided that such procedures for consideration and selection of qualified persons as aforesaid shall also allow minority shareholders to nominate persons for such consideration and selection.

2) Considering the criteria and procedures for recruiting person qualified to take office as the Managing Director, including nominating and selecting such person in accordance with the specified nomination procedures for submission to the Board of Directors for consideration and appointment.

3) Arranging for Succession Plan for key positions in management or persons eligible to take office of high level executive, with regular review of such Plan.

4) Determining the criteria for consideration of remuneration for directors and the Managing Director.

5) Considering proposing remuneration of directors to the Board of Directors for approval and submission to the shareholders' meeting for further consideration and approval.

6) Considering proposing salary and adjustment of salary rate, including other remuneration of the Managing Director to the Board of Directors for consideration and approval.

7) Performing other duties as delegated by the Board of Directors.

#### **Corporate Governance Committee**

The Board of Directors appoints the Corporate Governance Committee to help consider policies and practices on good corporate governance and business ethics. As at December 31, 2010, the Corporate Governance Committee comprises four members as follows:

1. Mr. Somnuk Chaidejsuriya      Chairman of the Corporate Governance Committee

- |                             |        |
|-----------------------------|--------|
| 2. Mr. Techapit Sangsingkeo | Member |
| 3. Mr. Phairuch Mekarporn   | Member |
| 4. Mr. Sompodh Sripoom      | Member |

#### **Scope of powers and duties of the Corporate Governance Committee**

- 1) Proposing practical guidelines for good corporate governance to the Board of Directors.
- 2) Supervising the operation of the Board of Directors, the Executive Committee, various subcommittees and the management to ensure compliance with the good corporate governance principles.
- 3) Reviewing the practical guidelines for good corporate governance, by comparing with the good corporate governance principles based on international standard and of the Stock Exchange of Thailand, for submission to the Board of Directors for consideration and regular update.
- 4) Delegating policies on good corporate governance to the Company's good corporate governance workgroup and reporting the results of the good corporate governance to the Board of Directors.
- 5) Having authority to invite any external persons having knowledge and expertise to act as advisors and attend meetings at the Company's expenses.
- 6) Performing other duties as delegated by the Board of Directors.

#### **Risk Management Committee**

The Board of Directors appoints the Risk Management Committee to help consider setting out policy on measures and plan for risk management in the Company's operations. As at December 31, 2010, the Risk Management Committee comprises four members as follows:

- |                              |   |
|------------------------------|---|
| 1. Mr. Techapit Sangsingkeo  | Chairman of the Risk Management Committee |
| 2. Mr. Prasert Marittanaporn | Member                                    |
| 3. Mr. Tomonori Susuki       | Member                                    |
| 4. Mr. Sompodh Sripoom       | Member                                    |

### **Scope of powers and duties of the Risk Management Committee**

- 1) Setting out the Risk Management Policy for the Company as a whole, and assigning the management to perform in compliance with such Policy, including reporting the performance results to the Risk Management Committee.
- 2) Developing and reviewing the Company's Risk Management System to ensure its continual efficiency and effectiveness, by way of regular evaluation and follow-up of the risk management procedures to be consistent with the specified policy.
- 3) Supporting and encouraging the mutual cooperation in risk management at every level of the Company.
- 4) Preparing reports on risks and suggestions to the Board of Directors.
- 5) Performing other duties as delegated by the Board of Directors.

### **Executive Management**

As at December 31, 2010, the Company's Executive Management comprises seven executives as follows:

<b>Name</b>	<b>Position</b>
1. Mr. Sompodh Sripoom	Managing Director
2. Mr. Sahachai Hengtrakool	Operations Director
3. Mr. Chutchawan Tienprasertkij	Marketing Director
4. Mr. Sompol Krisadasima	Business Development Director
5. Mr. Somkiat Pattamamongkolchai	Accounting and Finance Director
6. Mr. Sivar Nagdhary	Management Information System Director
7. Miss Pathida Chaiyasen	Human Resource and Administration Director

### **Scope of powers and duties of the Managing Director**

- 1) Having power to approve execution of any juristic acts which would have binding effect upon the Company within an amount of not exceeding Baht 5,000,000 (Five Million Baht Only).
- 2) Having power to issue, amend, adjust the Company's work rules, orders and regulations, e.g., employment, appointment, demotion, discipline of staff and employees, determination of salaries and other payments, including welfare and benefits.
- 3) Having power to delegate authority to the Company's executive staff, namely, Division Managers, to perform duties on behalf of the Managing Director in particular matters (such as, purchasing, employment, payment instruction) as deemed appropriate.

4) Having power to appoint any person or group of persons to operate the business of the Company under the supervision of the Managing Director, or authorizing such person to take actions as the Managing Director deems appropriate, and also having power to change, amend, cancel or revoke such authorization.

5) Having power for adjustment, transfer, closure and merger or expansion of the organization structure at such levels lower than the Divisional Level, as appropriate, as long as the Company still has six divisions and the total number of staff not exceeding 111 persons.

6) Having power to determine salary rates and other remunerations, including expenses and facilities of the Division Directors or equivalent and higher, to seek approval of the Executive Committee.

7) Having power to determine the structure of salary rates and other remunerations of staff at such levels lower than the Division Directors or equivalent, provided that the salary rates (excluding other remunerations and benefits), in both 6) and 7), shall altogether not exceed one percent of the Company's revenue.

8) Having power to employ, appoint, impose disciplinary action, terminate, dismiss, remove, determine salary, bonus, welfare, and other remunerations, including expenses and facilities of the Company's staff who receive salary at the rate (only the salary rate, excluding any other benefits received) of not exceeding Baht 150,000 per month, and/or the Company's staff in such positions lower than the Division Directors or equivalent. Apart from those mentioned, the Managing Director shall seek approval of the Executive Committee. In this regard, the authority to take the following actions may be delegated, either in whole or in part, to workgroups, the Board of Directors, the management, group of persons or any manager, as appropriate.

9) Having duty to supervise all businesses of the Company to ensure compliance with resolutions and policies of the Board of Directors.

10) Having duty to submit balance sheets, financial statements and income statements of the Company to the Board of Directors for approval.

11) Having duty to propose significant issues to the Board of Directors or the shareholders' meeting for consideration and approval or for any other purposes as appropriate.

12) Having duty to conduct feasibility studies on new projects and having power to approve such projects, as delegated by the Executive Committee.

13) In case the Managing Director is unable to perform duties, the Managing Director shall appoint a Division Director or another person to act for and on behalf of the Managing Director from



time to time, whereby such person shall have the powers and duties equivalent to the Managing Director.

14) Performing other duties as delegated by the Board of Directors from time to time.

However, the Managing Director or the person authorized by the Managing Director has no power to approve any matters or transactions in which the Managing Director or persons who may have conflict, have interest or may have conflict of interest in any other manner, would enter into with the Company or its subsidiaries, as defined by the Securities and Exchange Commission.

In 2010, the Board of Directors and subcommittees held a total of 20 meetings as follows:

The Board of Directors held a total of 4 ordinary and extraordinary meetings.

The Executive Committee held a total of 5 ordinary and extraordinary meetings.

The Audit Committee held a total of 4 ordinary and extraordinary meetings.

The Risk Management Committee held a total of 2 meetings.

The Corporate Governance Committee held a total of 2 meetings.

The Nomination and Remuneration Committee held a total of 3 meetings.

#### Meeting Attendances in the Year 2010

Name	Ordinary General Meeting of Shareholders	Board of Directors	Executive Committee	Audit Committee	Nomination and Remuneration Committee	Corporate Governance Committee	Risk Management Committee
1. Dr.Thanong Bidaya	1/1	4/4	-	-	-	-	-
2. Mr. Plew Trivisvavet	1/1	4/4	-	-	-	-	-
3. Mr. Narong Sangsuriya	1/1	4/4	5/5	-	-	-	-
4. Mr. Prasert Marittanaporn	1/1	4/4	-	-	3/3	-	2/2
5. Dr. Sombat Kitjalaksana	1/1	4/4	4/5	-	-	-	-
6. Mr. Sompodh Sripoom	1/1	4/4	5/5	-	-	2/2	2/2
7. Mr. Koichi Wakana	1/1	3/4	-	-	2/3	-	-
8. Mr. Kazushige Katamura	1/1	2/4	2/5	-	-	-	1/2
9. Mr. Tomonori Susuzi	-	1/4	2/5	-	-	-	1/2
10. Mr. Techapit Sangsingkeo	1/1	3/4	-	3/4	-	2/2	1/2
11. Mr. Phairuch Mekarporn	1/1	4/4	-	4/4	3/3	2/2	-
12. Mr. Somnuk Chaidejsuriya	1/1	4/4	-	4/4	-	2/2	-
13. Mr. Suvich Pungchareon	1/1	4/4	5/5	-	-	-	-

Note: Mr.Kazushige Katamura resigned on 23 July 2010

Mr.Tomonori Suzuki was appointed on 30 July 2010

### **Self-Assessment of the Board**

By the resolution of the Board meeting No.4/2010 of 5 November 2010, it acknowledged the result of 2010 self-assessment . Self-Assessment of the Board consisted of five categories : Understanding of responsibility and company business, relationship with executives, supervision, meeting and performance.

The results indicated very good/ most suitable overall performance with an average score of 91.4%

## Reference

Auditor : Ernst & Young Office Limited  
33<sup>rd</sup> Floor, Lake Rajada Office Complex  
193/136-137 New Rajadapisek Road, Bangkok 10110  
Telephone 0-2264-0777 0-2661-9190  
Facsimile 0-2264-0789-90 0-2661-9192

Legal Counsel : The Legists Limited  
990 Abdulrahim Place, 9<sup>th</sup> Floor  
Rama IV Road, Silom Subdistrict, Bangrak District  
Bangkok 10500  
Telephone 0-2636-1111  
Facsimile 0-2636-0000

Financial Institutions : Siam Commercial Bank Public Company Limited  
TMB Bank Public Company Limited  
Bangkok Bank Public Company Limited  
Kasikornbank Public Company Limited  
Krung Thai Bank Public Company Limited

## Administration and Management

### Dividend Policy

To maintain a consistent dividend payment, and the benefit of the shareholders, the Company has set dividend payment policy as follow:

The Company will priorities the financial needs for the next five years and the maintenance of the appropriate level of the debt-equity ratio. In case of considering that it is possible to pay dividend, the Company will consider paying dividend to the shareholders as the highest rate as its available cash and cash flow allow. However, such rate shall not be less than 50% of its net profit after corporate income tax, statutory reserve, and other reserves required by terms of relevant agreements.

(unit : Baht/share)

	2010 (First half)	2009	2008	2007
Dividend	0.15	0.28	0.20	0.15

## **Risks**

Service continuity is very important for service providers of basic utilities. The company awares that tap water is very important for daily life, therefore the company must manage all risks to ensure that it can produce and distribute clean tap water sufficiently and continuously in response to the needs of people in the service areas. The company surveys raw water resources in every 4 months to monitor quantity and quality of raw water resources in order to plan the production appropriately and be aligned with the raw water fed into the production process based on the production effectiveness and efficiency. In addition, the company is prepared for the procurement of main raw materials for production sufficiently by signing forwarding contracts to reduce a risk of price increment and searches for substitute chemicals in case of scarcity or high prices of main chemicals that may affect the production cost and the company's performance.

The Board of Directors shall conduct business by considering the risks and providing suitable risk control and management.

### **Risks related to the company's new businesses**

In 2010, the company changed its vision from "A private leader providing full ranges of water services" to "To Be the Country's leading Company Operating in Water, Energy and Eco-Friendly Business. The company shall assess all risks before entering any other business that is not the water services, which are the company's expertise. Preliminary study reveals that the company has risks in new businesses as follows

#### **Risk from selecting wrong or unsuitable business partners**

The company reviews background and past performance of the business partner in the country where the business will be conducted and have the investment consultants screen the quailification, visit in order to understand the business partner, and communicate in order to measure and build the relationship in the joint operation. Also, the company will develop criteria for selection of the business partner as well as contracting procedures.

#### **Risks from government policy that may not be in favor of the new business**

Since Thailand continues to face political uncertainty supporting development of alternative energy even though the PDP 2010 plan was announced, but there are still many practical problems, for example, adjustment of the adder value, an increment from the normal electricity distribution cost for distributors of alternative energies such as solar and wind power, from 8.0 Baht/unit for 10 years to 6.5 Baht/unit for 10 years leads to a reduction of return on investment of the company that has a development project but has not received affirmative answer for electricity

purchase, closing purchase of electricity from solar energy, and possible changes in a support measure like “Feed in Tariff” for new project developers in the future. Thus, the company shall consider a strategy to mainly select alliances owning electricity purchasing contracts to avoid impacts from any possible changes.

Moreover, the ambiguity in the Act of Private Participation in State Undertakings, B.E. 2535 (1992) delays or ceases new project development participated by the private sector. Therefore, the company has to follow the amendment of the act since it can provide an opportunity for business expansion.

#### **Risks from natural changes leading to negative impacts on production of alternative energy**

The company foresees natural changes that may affect the alternative energy business, therefore the company must monitor its trends, consider the business plans by taking this risk into account and study previous changes in all area so as to spread investment in various locations and types of alternative energy such as wind energy, solar energy, hydro energy, etc., and consider transactions of natural disaster insurance.

## **Internal Control**

The company has played a great emphasis on a good internal control system which is in accordance with good corporate governance. It is stated that everyone should perform their duties with transparency, fairness, reliability, balance of power and cross checking whereby these shall bring the greatest benefit to shareholders, employees and related parties.

The company has appointed Dharmniti Auditing Company Limited (Dharmniti) to assess the adequacy of the internal control systems of the company and its subsidiaries. Dharmniti shall be co-working with the internal audit section of the company to assess the internal control of the company and its subsidiaries. To ensure the good corporate governance, transparency and reliability

In 2010, the company has conducted an internal audit and assessed the internal control system and the risks of the subsidiaries of the Thai Tap Water Supply PLC. for 4 times. The audit result shows that there is no significant mistake or error that may be materially affected the objective and the operating target of the company. The Audit Committee has provided some guidelines to the internal audit section and the Dharmniti to propose the plan to enhance the current system to be more efficient and concise, including conducting the audit to ensure that the internal control system is still good and there is no unexplainable reason for not being complied with the system.

Moreover, the Ernst & Young Office Ltd., an auditor of the company, has reviewed the efficiency of the accounting control system of the company as deemed necessary for the year ended 31 December 2010 for the benefit in setting the audit scope, giving the concise and appropriate opinions on the financial statements without finding any significant error on the accounting control system.

## Board of Directors

As at December 31, 2010 comprises:



### **DR.THANONG BIDAYA**

Independent Director and Chairman of the Board of Directors

**Age** 63 Years

#### **Education Background**

- Doctor's Degree Ph.D. in Management, Northwestern University, USA

#### **Jobs Experience**

- Feb.2009 – Present **Independent Director and Chairman of the Board of Directors**  
Thai Tap Water Supply Public Company Limited
- Present **Chairman of the Advisory Board, Chairman of Risk Management Committee**  
TMB Asset Management Co.,Ltd  
**Chairman**  
MSIG Insurance (Thailand) Co.,Ltd.  
**Vice Chairman of the Advisory Board**  
King Power Group of Company  
**Advisory Board**  
NIDA Business School, National Institute of Development Administration

#### **Seminar and Training Records**

- 2004 Directors Accreditation Program (DAP) 25/2004  
Thai Institute of Directors Association





**MR.PLEW TRIVISVAVET**

Director and Vice-Chairman

**Age** 65 Years

**Education Background**

- Master's Degree Electrical Engineering  
Osaka University, Japan

**Jobs Experience**

- Feb.2009 – Present **Director and Vice-Chairman**  
Thai Tap Water Supply Public Company Limited
- 2006 – Feb.2009 **Director and Chairman of the Board of Directors**  
Thai Tap Water Supply Public Company Limited
- 2005 – Present **Committee**  
King Mongkut's Institute of Technology Ladkrabang
- 1998 – Present **Chairman**  
Bangkok Metro Public Company Limited
- 1994 - Present **Chairman of Executive Board**  
Bangkok Expressway Public Company Limited
- 1990 – Present **Director**  
Siam CBB Engineering Company Limited
- 1974 - Present **President and Chief Executive Officer**  
Ch.Karnchang Public Company Limited

**Seminar and Training Records**

- 2004, Director Certificate Program (DCP) 50/2004  
Thai Institute of Directors Association



**MR.NARONG SANGSURIYA**

Director and Chairman of Executive Committee

**Age** 66 Years

**Education Background**

- Bachelor's Degree Civil Engineering  
Chulalongkorn University

**Jobs Experience**

- 2007 – Present **Nomination and Remuneration Committee**  
Ch.Karnchang Public Company Limited
- 2001 – Present **Director and Senior Executive Vice President – Operation Group**  
Ch.Karnchang Public Company Limited
- 2000 – Present **Director and Chairman of Executive Committee**  
Thai Tap Water Supply Public Company Limited
- 1991 – Present **Executive Director**  
Ch.Karnchang Public Company Limited

**Seminar and Training Records**

- 2005, Directors Certification Program (DCP) 54/2005  
Thai Institute of Directors Association



## MR.TECHAPIT SANGSINGKEO

Independent Director, Chairman of Audit Committee, Chairman of Risk Management Committee and Corporate Governance Committee

**Age** 66 Years

### Education Background

- Master's Degree Economics  
KEIO University, Japan (Bank of Thailand Scholarship)

### Jobs Experience

- Jul 2007 – Present **Director**  
Pathum Thani Water Company Limited
- 2006 - Present **Independent Director, Chairman of Audit Committee, Chairman of Management Committee and Corporate Governance Committee**  
Thai Tap Water Supply Public Company Limited

### Risk

- Present **Director, Chairman of Audit Committee**  
Star Sanitary Ware Company Limited  
**Advisor**  
Thai-Lao for Friendship Association  
**Executive Director**  
Life Development Foundation,  
Under Patronage of Her Royal Highness, Princess Kalayanee

Watana

### Seminar and Training Records

- 2006, Audit Committee Program (ACP 22/2551)  
Thai Institute of Directors Association
- 2005, Directors Accreditation Program (DAP) 34/2005  
Thai Institute of Directors Association



## **MR.PHAIRUCH MEKARPORN**

Independent Director, Chairman of Nomination and Remuneration Committee, Audit Committee and Corporate Governance Committee

**Age** 65 Years

### **Education Background**

- Master's Degree Mechanical Engineering  
California State University Long Beach, California, USA

### **Jobs Experience**

- Jul 2007 – Present **Chairman of the Board of Director**  
Pathum Thani Water Company Limited
- 2006 - Present **Independent Director, Chairman of Nomination and Remuneration Committee, Audit Committee and Corporate Governance Committee**  
Thai Tap Water Supply Public Company Limited
- Present **Director**  
Thai Optical Group Public Company Limited  
Danchang Bio-Energy Company Limited  
Phukhiew Bio-Energy Company Limited

### **Seminar and Training Records**

- 2007, Audit Committee Program (ACP) 17/2007  
Thai Institute of Directors Association
- 2006, Directors Certification Program (DCP) 81/2006  
Thai Institute of Directors Association
- 2004, Directors Accreditation Program (DAP) 18/2004  
Thai Institute of Directors Association
- 1995, Advanced Management Program : The International Senior Manager's Program  
Harvard Business School



## MR.SOMNUK CHAIDEJSURIYA

Independent Director, Audit Committee and Chairman of Corporate Governance Committee

**Age** 60 Years

### Education Background

- Master's Degree Master of Law  
Chulalongkorn University

### Jobs Experience

- 2006 - Present **Independent Director, Audit Committee, Chairman of Corporate Governance Committee**  
Thai Tap Water Supply Public Company Limited
- Present **Director, Audit Committee, Chairman of Risk Management**

### Committee

Don Muang Tollway Public Company Limited

**Chairman of Audit Committee**

Cathay Leaseplan Public Company Limited

**Director and Nomination and Remuneration Committee**

Thai Sri Insurance Company Limited

### Seminar and Training Records

- 2005, Audit Committee Program (ACP) 9/2005  
Thai Institute of Directors Association
- 2004, Directors Accreditation Program (DAP) 9/2004  
Thai Institute of Directors Association
- 2004, Directors Certification Program (DCP) 46/2004  
Thai Institute of Directors Association



**MR.PRASERT MARITTANAPORN**

Director, Risk Management Committee , Nomination and Remuneration Committee

**Age** 55 Years

**Education Background**

- Master's Degree Business Administration  
Kasetsart University

**Jobs Experience**

- 2006 – Present **Director**  
Southeast Asia Energy Company Limited
- 2001 – Present **Director and Senior Executive Vice President – Administration**

**Group** Ch.Karnchang Public Company Limited

- 2000 – Present **Director, Risk Management Committee ,Nomination and**

**Remuneration**

**Committee**

Thai Tap Water Supply Public Company Limited

**Seminar and Training Records**

- 2005, Directors Certification Program (DCP) 54/2005  
Thai Institute of Directors Association



**MR.SUVICH PUNGCHAREON**

Director and Executive Committee

**Age** 64 Years

**Education Background**

- Master's Degree Master of Political Science (Politics and Government)  
Sukhothai Thammathirat Open University

**Jobs Experience**

- 2007 – Present **Advisor**  
Bangkok Expressway Public Company Limited
- 2006 – Present **Director and Executive Committee**  
Thai Tap Water Supply Public Company Limited

**Seminar and Training Records**

- 2003, Management of Public Economy for Executives Course Class 1/2003  
King Prajadhipok' Institute
- 2003, Director Certification Program (DCP) 37/2003  
Thai Institute of Directors Association



**DR.SOMBAT KITJALAKSANA**

Director and Executive Committee

**Age** 54 Years

**Education Background**

- Doctor's Degree Dr.Techn. (Soil Mechanic)  
University of Innsbruck, Austria

**Jobs Experience**

- 2006 – Present **Director**  
Ch.Karnchang Public Company Limited
- 2004 – Present **Director and Executive Director**  
Bangkok Metro Public Company Limited
- 2000 – Present **Director and Executive Committee**  
Thai Tap Water Supply Public Company Limited
- 2000 – Present **Managing Director**  
Bangkok Metro Public Company Limited

**Seminar and Training Records**

- 2006, Directors Certification Program (DCP) 81/2006  
Thai Institute of Directors Association
- 2005, Directors Accreditation Program (DAP) 36/2005  
Thai Institute of Directors Association





**MR.KOICHI WAKANA**

Director and Nomination and Remuneration Committee

**Age** 43 Years

**Education Background**

- Bachelor's Degree Mechanical Engineering  
Keio University, Japan

**Jobs Experience**

- May 2009 – Present **Director, Nomination and Remuneration Committee**  
Thai Tap Water Supply Public Company Limited
- 2009 – Present **General Manager,**  
Second Dept. , First Projects Development Division,  
Mitsui & Co., Ltd. (Tokyo)

**Seminar and Training Records**

- 2008, Directors Accreditation Program (DAP) 74/2008  
Thai Institute of Directors Association



**MR.TOMONORI SUZUKI**

Director, Executive Committee and Risk Management Committee

**Age** 40 Years

**Education Background**

- Bachelor's Degree Bachelor of Arts in Commerce  
WASEDA University, Japan

**Jobs Experience**

- July 2010 - Present **Director, Executive Committee and Risk Management Committee**  
Thai Tap Water Supply Public Company Limited
- May 2010 – Present **Director**  
Mitsui Water Holdings (Thailand) Limited
- 2009 – Present Deputy General Manager, Second Dept.  
First Power Project Development Division  
Mitsui & Co., Ltd. (Tokyo)

**Seminar and Training Records**

- 2010, Directors Certification Program (DCP) 140/2010  
Thai Institute of Directors Association



**MR.SOMPODH SRIPOOM**

Director, Executive Committee, Corporate Governance Committee, Risk Management Committee  
Managing Director and Company Secretary

**Age** 51 Years

**Education Background**

- Master's Degree Master of Science in Resource Planning and Management  
Naval Postgraduate School, Monterey, California, U.S.A.
- Master's Degree Master of Engineering in Structural Engineering and Structural  
Mechanics (Civil Engineering)  
University of California at Berkeley, California, U.S.A.

**Jobs Experience**

- Jan 2010 - Present **Director**  
Thai Water Operations Company Limited
- Jul 2009 – Present **Managing Director**  
Pathum Thani Water Company Limited
- Jul 2007 – Present **Director**  
Pathum Thani Water Company Limited
- 2005 – Present **Director, Executive Committee, Corporate Governance Committee,**

**Risk Management Committee, Managing Director and Company Secretary**

Thai Tap Water Supply Public Company Limited

**Seminar and Training Records**

- 2006, Directors Certification Program (DCP) 73/2006  
Thai Institute of Directors Association

## Management

As at December 31, 2010, the Company's management comprises five executives as follows:



### **MR.SOMPODH SRIPOOM**

Director, Executive Committee, Corporate Governance Committee, Risk Management Committee  
Managing Director and Company Secretary

**Age** 51 Years

#### **Education Background**

- Master's Degree Master of Science in Resource Planning and Management  
Naval Postgraduate School, Monterey, California, U.S.A.
- Master's Degree Master of Engineering in Structural Engineering and Structural  
Mechanics (Civil Engineering)  
University of California at Berkeley, California, U.S.A.

#### **Jobs Experience**

- Jan 2010 - Present **Director**  
Thai Water Operations Company Limited
- Jul 2009 – Present **Managing Director**  
Pathum Thani Water Company Limited
- Jul 2007 – Present **Director**  
Pathum Thani Water Company Limited
- 2005 – Present **Director, Executive Committee, Corporate Governance Committee,**

**Risk Management Committee, Managing Director and Company Secretary**

Thai Tap Water Supply Public Company Limited

#### **Seminar and Training Records**

- 2006, Directors Certification Program (DCP) 73/2006  
Thai Institute of Directors Association



Mr. Sahachai Hengtrakool

Operations Director

Age: 47 years

Education:

- Master's Degree Master of Business Administration  
Chulalongkorn University

Work Experience:

- 2005 - Present **Operations Director**  
Thai Tap Water Supply Public Company Limited
- 2007 - 2009 **Director**  
BJT Water Company Limited
- 2006 - 2009 **Director and General Manager**  
WaterFlow Company Limited



Mr.Sompol Krisadasima

Business Development Director

Age : 52 years

Education :

- Master Degree      Master of Business Administration (MBA)  
Chulalongkorn University  
Master of Economics (Business Economics)  
National Institute of Development Administration

Work Experiences :

- Jan 2010 – Present      **Business Development Director**  
Thai Tap Water Supply Public Company Limited  
**Managing Director**  
Thai Water Operations Co., Ltd.
- 2007 - 2009      **Managing Director**  
BJT Water Co., Ltd
- 1995 - 2009      **Director of Operations and Business Development Department**  
Pathum Thani Water Co.,Ltd.



Mr.Chutchawan Tienprasertkij

Marketing Director

Age: 45 years

Education:

- Master's Degree Master of Business Administration (Management and Organization)  
Sripatum University

Work Experience:

- Present **Marketing Director**  
Thai Tap Water Supply Public Company Limited
- 2008-2010 **Senior Business Development Manager**  
Bangkok Metro Company Limited
- 2001 - 2004 **MIS Manager**  
JV-CKET(joint venture Technical Consult for MRT Project)



**Mr.Sivar Nagdhary**

Information Technology Director

**Age :** 52 years

**Education :**

- Master's Degree      Public Policy and Project Management  
National Institute of Development Administration

**Work Experiences :**

- Jan 2010- Present      **Information Technology Director**  
Thai Tap Water Supply Public Company Limited
- 2008 – April 2009      **Executive Vice President, Funding Finance and Securities**  
**Group**  
Apex Development Public Company Limited
- 2004 - 2007      **Executive Vice President, Finance & MIS**  
Suntech Group Public Company Limited





Mr. Somkiat Pattamamongkolchai

Accounting and Finance Director

Age: 38 years

Education:

- Master's Degree Master of Accounting  
Thammasat University

Work Experience:

- 2007 - Present **Director**  
Pathum Thani Water Company Limited  
Thai Water Operations Company Limited
- 2005 - Present **Accounting and Finance Director**  
Thai Tap Water Supply Public Company Limited
- 2000 - 2005 **Assistant Audit Manager**  
Ernst & Young Office Limited



**Miss Pathida Chaiyasen**

Human Resource and Administration Director

**Age:** 45 years

**Education:**

- Master's Degree      Master of Education (Education Management)  
Chulalongkorn University

**Work Experience:**

- 2006 - Present      **Human Resource and Administration Director**  
Thai Tap Water Supply Public Company Limited
- 1993 - 2006      **Human Resource Manager**  
Bangkok Microbus Company Limited

## Number of Shareholding by Directors and Management

Shareholding by Directors and Management as at December 31, 2010

Shareholding by Directors and Management		Number of Shares	TTW Shareholding (%)
1. Dr. Thanong Bidaya	Chairman of the Board of Directors	342,500	0.009
2. Mr. Plew Trivisvavet	Vice-Chairman	2,997,000	0.075
3. Mr. Narong Sangsuriya	Director	2,000,100	0.050
4. Mr. Techapit Sangsingkeo	Independent Director	1,000,000	0.025
5. Mr. Phairuch Mekarporn	Independent Director	-	none
6. Mr. Somnuk Chaidejsuriya	Independent Director	1,630,000	0.041
7. Mr. Suvich Pungchareon	Director	-	none
8. Mr. Prasert Marittanaporn	Director	1,000,100	0.025
9. Dr. Sombat Kitjalaksana	Director	3,000,100	0.075
10. Mr. Koichi Wakana	Director	-	none
11. Mr. Tomonori Suzuki	Director	-	none
12. Mr. Sompodh Sripoom	Director and Managing Director	2,425,100	0.061
13. Mr.Chutchawan Tienprasertkij	Marketing Director	-	none
14. Miss Pathida Chaiyasen	Human Resource and Administration Director	900,000	0.023
15. Mr. Sahachai Hengtrakool	Operations Director	750,000	0.019
16. Mr.Sivar Nagdhary	Management Information System Director	-	none
17. Mr. Somkiat Pattamamongkolchai	Accounting and Finance Director	1,390,000	0.035
18. Mr.Sompol Krisadasima	Business Development Director	-	none

## Compensation Paid to Directors

No.	Name-Surname	Position	Remuneration	Meeting Allowance	Total	Bonus (2009)	Total
1	Dr. Thanong Bidaya	Director and Chairman of the Board Director	657,000	74,000	731,000	1,050,000	1,781,000
2	Mr. Plew Trivisvavet	Vice-Chairman	447,000	74,000	521,000	750,000	1,271,000
3	Mr. Narong Sangsuriya	Chairman of Executive Committee	374,000	109,000	483,000	698,000	1,181,000
4	Mr. Prasert Marittanaporn	Director / Nomination and Remuneration Committee and Risk Management Committee	274,000	114,000	388,000	563,000	951,000
5	Dr. Sombat Kitjalaksana	Director and Executive Committee	264,000	100,250	364,250	540,000	904,250
6	Mr. Sompodh Sripoom	Director and Executive Committee	358,000	149,000	507,000	735,000	1,242,000
7	Mr. Kazushige Katamura	Director / Executive Committee and Risk Management Committee	132,505	64,500	197,005	638,000	835,005
8	Mr. Koichi Wakana	Director and Nomination and Remuneration Committee	227,000	70,500	297,500	465,000	762,500
9	Mr. Suvich Pungchareon	Director and Executive Committee	264,000	109,000	373,000	540,000	913,000
10	Mr. Techapit Sangsingkeo	Director / Chairman of the Audit Committee / Chairman of Risk Management Committee and Corporate Governance Committee	450,000	106,500	556,500	855,000	1,411,500
11	Mr. Phairuch Mekarporn	Director / Chairman of the Nomination and Remuneration Committee / Audit Committee and Corporate Governance Committee	391,000	142,000	533,000	771,000	1,304,000
12	Mr. Somnuk Chaidejsuriya	Director / Chairman of the Corporate Governance Committee / Audit Committee	344,000	122,000	466,000	674,000	1,140,000
13	Mr. Tomonori Suzuki	Director / Executive Committee and Risk Management Committee	131,312	64,500	195,812	-	195,812
		<b>Total</b>	4,313,817	1,299,250	5,613,067	8,279,000	13,892,067

Remarks Mr. Kazushige Katamura resigned on 23 July 2010

Mr. Tomonori Suzuki was appointed on 30 July 2010

## Director's Compensation in 2008-2010

	2008		2009		2010	
	Persons	Baht	Persons	Baht	Persons	Baht
Remuneration	12	2,539,000	12	4,117,625	12	4,313,817
Meeting Allowance	12	2,121,250	12	1,335,605	12	1,299,250
Total Bonus	12	5,542,000	12	6,105,200	12	8,279,000
Total		10,202,250		11,558,430		13,892,067

## Compensation Paid to Management

TTW's compensation paid to management team members complies with the policies and principles defined by the Company, which is jointly defined as key performance indicators by the Managing Director and his management team for framing TTW's business each year. Each person's compensation is measured against the performance.

As of December 31, 2010, the Managing Director and six management team members received 18,538,370 Baht in compensation, detailed as follows :

## Compensation Paid to Management in 2008-2010

	2008		2009		2010	
	Persons	Baht	Persons	Baht	Persons	Baht
Remuneration	5	8,597,880	5	9,276,880	7	13,485,562
Bonus	5	3,324,340	5	3,484,540	7	5,052,808

## Provident Fund Contribution for Management

	2008		2009		2010	
	Persons	Baht	Persons	Baht	Persons	Baht
Provident Fund	5	398,394	5	458,844	7	631,979

## Other Compensation

TTW has instituted employee welfare and other compensation apart from salary, bonus and provident fund contribution for management and all employees to reflect domestic economic conditions, cost of living, and other standard for peer companies.

## **Connected Transactions**

### **Inter-Company Transactions**

In 2010, the company and subsidiaries had inter-company transactions with related persons or businesses. Such transactions were in line with agreed business conditions and regulations as normal business. The followings were the inter-company transactions.

#### **Inter-Company Transactions between the Company and Subsidiaries**

(1) The company lent to Pathum Thani Water Co., Ltd., which is its subsidiary, for financial restructuring purpose. The creditor was switched from financial institutions with high interest rates to the company. As a result, the subsidiary's interest burden reduced. (This transaction has been occurring since 2009 onwards.)

(2) The company employed Thai Water Operations Co., Ltd. to maintain and repair machines and equipment of water production and treatment, within Bang Len Water Treatment Plant and Bangpa-in Industrial Estate. This was to ensure the efficiency and consistency of the production.

#### **Inter-Company Transactions between the Company and Ch. Karnchang PLC.**

(1) The company hired Ch. Karnchang PLC. to construct the production expansion section from 320,000 m<sup>3</sup>/day to 440,000 m<sup>3</sup>/day. Ch. Karnchang PLC. had experience on the existing construction system so it understood the civil work structure of the production system more clearly. (This transaction has been occurring since the year end of 2008 onwards.)

(2) The company bought two plots of land installed underground water distribution network in Samutsakhon Province from Ch. Karnchang PLC. This was to ensure the security and risk mitigation on further business expenses.

#### **Inter-Company Transactions between the Company and Bangpa-In Land Development Co., Ltd.**

The company bought the right on water and wastewater management of Bangpa-in Industrial Estate, from Bangpa-In Land Development Co., Ltd. (whose shares were held by Ch. Karnchang PLC.), for the period of 30 years. Previously, ground water was distributed to entrepreneurs in Bangpa-in Industrial Estate. (This transaction has been occurring in 2009 onwards.)

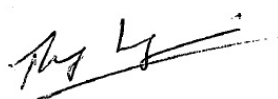
The details of the inter-company transactions are presented in Form 56-1.

## Report on Responsibility of the Board of Directors to the Financial Report

The Board of Directors gives priority to its duties and responsibilities for the governance of the Company's business to ensure good management in accordance with the laws, objectives and Articles of Association of the Company, as well as resolutions of the shareholders' meeting, with integrity, due care for the benefits of the Company, shareholders and general investors, so that the Company's financial report shall contain accurate and complete accounting records which reflect the Company's actual financial position and results of operation.

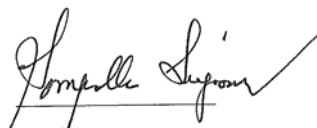
The Board of Directors has appointed the Audit Committee, comprising independent directors who are fully qualified to ensure that the Company's financial reporting is sufficiently accurate, including disclosure of accurate and complete information on related party transactions or such transactions which may give rise to conflict of interest in accordance with the relevant rules and regulations, in respect of which the Audit Committee has already reported its performance to the Board of Directors.

The Board of Directors is of the opinion that the financial report for the year 2010 of the Company and its subsidiaries which has been reviewed by the Audit Committee in cooperation with the management as well as audited by the Company's auditor fairly shows the financial position and results of operation in accordance with generally accepted accounting principles.



(Dr. Thanong Bidaya)

Chairman of the Board of Directors



(Mr. Sompodh Sripoom)

Managing Director

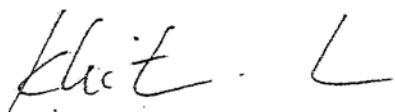
## Report of Independent Auditor

To the Shareholders of Thai Tap Water Supply Public Company Limited

I have audited the accompanying consolidated balance sheet of Thai Tap Water Supply Public Company Limited and its subsidiaries as at 31 December 2010, the related consolidated statements of income, changes in shareholders' equity and cash flow for the year then ended, and the separate financial statements of Thai Tap Water Supply Public Company Limited for the same period. 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 audit. The consolidated financial statements of Thai Tap Water Supply Public Company Limited and its subsidiaries and the separate financial statements of Thai Tap Water Supply Public Company Limited for the year ended 31 December 2009, as presented herein for comparative purposes, were audited in accordance with generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements under his report dated 5 February 2010.

I conducted my audit 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 audit provides 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 2010, the results of their operation, and cash flow for the year then ended in accordance with generally accepted accounting principles.



Certified Public Accountant (Thailand) No. 4958

Ernst & Young Office Limited

Bangkok: 1 February 2011



Thai Tap Water Supply Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2010 and 2009

(Unit : Baht)

Detail	Note	Consolidated financial statements		Separate financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	7	2,073,891,038	2,285,587,568	1,486,428,692	1,740,130,052
Current investments	8	1,909,340,949	1,084,842,552	1,909,340,949	1,084,842,552
Trade accounts receivable	9	401,443,267	384,018,525	272,715,009	255,746,702
Other receivable - related parties	6	10,343	21,558	10,343	138,558
Current portion of long-term loans to related party and interest receivable	6	-	-	310,578,938	310,601,295
Raw materials and supplies	10	23,668,658	22,503,474	14,294,639	13,729,929
Advance payment for construction					
Related party	6	2,069,416	41,452,975	2,069,416	41,452,975
Unrelated party		8,872,824	48,724,059	8,872,824	48,724,059
Other current assets					
Interest receivable		9,535,809	3,469,124	9,535,809	3,469,124
Refundable input tax, net		-	10,707,702	-	17,310,709
Prepaid expenses		18,361,289	12,476,924	14,060,201	8,309,429
Withholding tax deducted at source		5,056,355	17,650,465	2,287,253	1,016,992
Others		19,567,646	35,996,603	16,548,936	33,337,335
<b>Total current assets</b>		<b>4,471,817,594</b>	<b>3,947,451,529</b>	<b>4,046,743,009</b>	<b>3,558,809,711</b>
<b>Non-current assets</b>					
Long-term loans to related party, net of current portion	6	-	-	2,402,500,000	2,712,500,000
Investments in subsidiaries	11	-	-	3,910,347,718	4,131,841,866
Property, plant and equipment, net	12	9,504,074,891	9,125,396,830	9,437,095,364	9,056,195,998
Assets for production of treated water that must be transferred at end of concession, net	13	3,620,886,086	3,884,248,162	-	-
Rights to produce and sell treated water and treat waste water, net	14	1,364,210,739	1,400,318,539	1,364,210,739	1,400,318,539
Rights to produce and sell treated water, net	15	2,494,245,605	2,689,191,996	-	-

Other non-current assets					
Withholding tax deducted at source		24,107,868	10,336,429	-	1,079,618
Others		8,935,006	7,313,699	6,429,068	6,893,035
<b>Total non-current assets</b>		17,016,460,195	17,116,805,655	17,120,582,889	17,308,829,056
<b>Total assets</b>		21,488,277,789	21,064,257,184	21,167,325,898	20,867,638,767

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 2010 and 2009

(Unit : Baht)

Detail	Note	Consolidated financial statements		Separate financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade accounts payable					
Related party	6	-	-	2,610,554	3,420,284
Unrelated parties		32,684,882	40,612,258	25,419,498	29,480,176
Amounts due to related parties	6	14,736,610	29,803,369	14,600,453	29,763,331
Amounts due to unrelated parties		3,067,675	4,359,909	-	-
Other payable					
Related party	6,14	214,000,000	214,000,000	214,000,000	214,000,000
Unrelated parties (construction payable)		59,250,671	14,501,163	59,250,671	14,501,163
Retention payable for contract work					
Related party	6	-	7,900,746	-	7,900,746
Unrelated parties		2,110,862	8,984,832	1,812,263	8,686,235
Accrued payable from securities trading		6,995,291	-	6,995,291	-
Current portion of long-term loans					
from financial institutions	16	450,000,000	420,000,000	450,000,000	420,000,000
Other current liabilities					
Accrued interest		112,137,877	112,085,535	112,137,877	112,085,535
Accrued expenses		52,518,913	56,878,867	32,224,607	29,549,735
Unbilled output tax		26,618,620	25,481,558	17,847,962	16,745,620
Value added tax payable		19,351,671	-	12,650,337	-
Corporate income tax payable		86,796,677	64,153,394	-	-
Others		6,150,744	6,273,466	3,499,879	4,012,496
<b>Total current liabilities</b>		1,086,420,493	1,005,035,097	953,049,392	890,145,321
<b>Non-current liabilities</b>					

Retention - subsidiary	6	-	-	5,000,000	5,000,000
Long-term other payable - related party	6	-	214,000,000	-	214,000,000
Debentures, net	17	6,992,260,896	6,988,482,316	6,992,260,896	6,988,482,316
Long-term loans from financial institutions, net of current portion	16	3,926,000,000	4,162,000,000	3,926,000,000	4,162,000,000
<b>Total non-current liabilities</b>		10,918,260,896	11,364,482,316	10,923,260,896	11,369,482,316
<b>Total liabilities</b>		12,004,681,389	12,369,517,413	11,876,310,288	12,259,627,637

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 2010 and 2009

(Unit : Baht)

Detail	Note	Consolidated financial statements		Separate financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Shareholders' equity</b>					
<b>Share capital</b>					
Registered					
3,990,000,000 ordinary shares of Baht 1 each		3,990,000,000	3,990,000,000	3,990,000,000	3,990,000,000
Issued and fully paid up					
3,990,000,000 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	18	399,000,000	399,000,000	399,000,000	399,000,000
Appropriated - other reserve	19	320,984,674	172,450,096	320,984,674	172,450,096
Unappropriated		2,706,576,234	2,067,968,638	1,943,261,335	1,408,791,433
Difference on reorganization of business of group companies		(600,362,866)	(600,362,866)	-	-
Equity attributable to the company's shareholders		9,453,967,643	8,666,825,469	9,291,015,610	8,608,011,130
Minority interest - equity attributable to minority shareholders of subsidiaries		29,628,757	27,914,302	-	-
<b>Total shareholders' equity</b>		9,483,596,400	8,694,739,771	9,291,015,610	8,608,011,130
<b>Total liabilities and shareholders' equity</b>		21,488,277,789	21,064,257,184	21,167,325,898	20,867,638,767

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

Thai Tap Water Supply Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2010 and 2009

(Unit : Baht)

Detail	Note	Consolidated financial statements		Separate financial statements	
		<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>					
Sales of treated water	20	4,309,970,449	3,993,848,075	2,932,220,771	2,646,617,194
Service income		84,945,913	54,607,843	36,136,902	12,547,248
Interest income		18,485,981	14,969,951	123,298,656	29,758,433
Dividend income	11	-	-	458,629,587	293,993,325
Other income		6,378,490	3,651,478	3,826,464	7,593,100
<b>Total revenues</b>		<b>4,419,780,833</b>	<b>4,067,077,347</b>	<b>3,554,112,380</b>	<b>2,990,509,300</b>
<b>Expenses</b>					
Cost of sales of treated water and service		1,293,970,738	1,198,555,159	762,141,973	682,683,499
Administrative expenses		145,473,758	154,974,067	101,949,153	114,350,426
Management benefit expenses	6	51,472,051	52,613,818	33,026,436	32,898,658
Amortisation of investments in subsidiaries	11	-	-	221,494,148	221,494,148
Amortisation of rights to produce and sell treated water and treat waste water	14	36,107,800	9,756,047	36,107,800	9,756,047
Amortisation of rights to produce and sell treated water	15	194,946,391	194,946,391	-	-
<b>Total expenses</b>		<b>1,721,970,738</b>	<b>1,610,845,482</b>	<b>1,154,719,510</b>	<b>1,061,182,778</b>
<b>Income before finance cost and corporate income tax</b>		<b>2,697,810,095</b>	<b>2,456,231,865</b>	<b>2,399,392,870</b>	<b>1,929,326,522</b>
Finance cost		(442,123,690)	(666,999,122)	(440,641,710)	(443,980,743)
<b>Income before corporate income tax</b>	22,27	<b>2,255,686,999</b>	<b>1,789,232,743</b>	<b>1,958,751,160</b>	<b>1,485,345,779</b>
Corporate income tax		(181,723,690)	(187,978,462)	-	-
<b>Net income for the year</b>		<b>2,073,963,309</b>	<b>1,601,254,281</b>	<b>1,958,751,160</b>	<b>1,485,345,779</b>
<b>Net income attributable to:</b>					
Equity holders of the parent		2,062,888,854	1,593,627,208	1,958,751,160	1,485,345,779
Minority interests of the subsidiaries		11,074,455	7,627,073		
		2,073,963,309	1,601,254,281		
<b>Earnings per share</b>	23				
Basic earnings per share					
Net income attributable to equity holders of the parent		0.52	0.40	0.49	0.37

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 2010 and 2009

(Unit : Baht)

Detail	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Net income before tax	2,255,686,999	1,789,232,743	1,958,751,160	1,485,345,779
Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	643,762,511	598,639,102	366,532,782	338,382,611
Amortisation of investments in subsidiaries	-	-	221,494,148	221,494,148
Amortisation of rights to produce and sell treated water	194,946,391	194,946,391	-	-
Amortisation of rights to produce and sell treated water and treat waste water	36,107,800	9,756,047	36,107,800	9,756,047
Loss (gain) on sales of equipment	184,578	(439,782)	(150,844)	(24,177)
Dividend income from subsidiary	-	-	(458,629,587)	(293,993,325)
Withholding tax deducted at source written off	2,793,757	-	2,096,611	
Interest expenses	447,604,023	482,151,914	442,422,756	326,386,160
Income from operating activities before changes in operating assets and liabilities	3,581,086,059	3,074,286,415	2,568,624,826	2,087,347,243
Operating assets (increase) decrease				
Trade accounts receivable	(17,424,741)	(37,220,947)	(16,968,307)	(23,046,724)
Other receivable - related parties	11,215	67,818	128,215	4,550,510
Raw materials and supplies	(1,165,184)	(4,177,955)	(564,710)	(3,960,302)
Other current assets	26,507,179	(7,519,246)	27,082,767	(11,589,195)
Other non-current assets	(1,621,306)	(289,010)	463,967	(228,158)
Operating liabilities increase (decrease)				
Trade accounts payable - related party	-	-	(809,731)	913,601
Trade accounts payable - unrelated parties	(7,927,377)	(8,595,421)	(4,060,678)	(8,163,534)
Amounts due to related parties	(28,862,867)	(102,072,219)	(28,958,987)	(102,079,337)
Other payable - related party	(214,000,000)	-	(214,000,000)	-
Other payable - unrelated parties	(1,292,235)	(2,336,096)	-	-
Other current liabilities	9,463,248	11,181,213	15,914,934	5,327,521
Cash flows from operating activities	3,344,773,991	2,923,324,552	2,346,852,296	1,949,071,625
Cash paid for interest expenses	(443,773,101)	(368,559,706)	(438,591,834)	(212,793,951)
Cash paid for corporate income tax	(163,051,494)	(115,300,713)	(2,287,253)	(1,016,992)
<b>Net cash flows from operating activities</b>	<b>2,737,949,396</b>	<b>2,439,464,133</b>	<b>1,905,973,209</b>	<b>1,735,260,682</b>

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

Thai Tap Water Supply Public Company Limited and its subsidiaries

Cash flow statements (Continued)

For the years ended 31 December 2010 and 2009

(Unit : Baht)

Detail	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Cash flows from investing activities</b>				
Decrease in restricted bank deposits	-	257,675,630	-	(48,724,059)
Increase in current investments	(817,503,105)	(803,193,471)	(817,503,105)	(785,528,670)
Decrease in advance payment for construction - related party	39,383,559	54,385,925	39,383,559	54,385,925
Decrease (increase) in advance payment for construction - unrelated party	39,851,236	(48,724,059)	39,851,236	(48,724,059)
Increase in long-term loans to related party	-	-	-	(3,100,000,000)
Decrease in long-term loans to related party	-	-	310,000,000	77,500,000
Increase in property, plant and equipment	(645,393,213)	(461,647,602)	(638,863,388)	(455,322,082)
Constructions payable	(14,501,163)	-	(14,501,163)	-
Increase in assets for production of treated water that must be transferred at end of concession	(8,142,105)	(2,359,605)	-	-
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	(40,529,898)	(37,179,026)	(40,529,898)	(37,179,026)
Proceeds from disposal of equipment	3,070,160	1,051,726	380,000	24,942
Dividend received from subsidiary	-	-	458,629,587	293,993,325
Increase (decrease) in retention payable for contract work - related party	(7,900,746)	7,900,746	(7,900,746)	7,900,746
Increase (decrease) in retention payable - unrelated party	(6,873,971)	5,088,397	(6,873,971)	5,087,590
<b>Net cash flows used in investing activities</b>	<b>(1,458,539,246)</b>	<b>(2,037,076,924)</b>	<b>(677,927,889)</b>	<b>(4,997,935,894)</b>
<b>Cash flows from financing activities</b>				
Decrease in bank overdrafts and short-term loans from financial institutions	-	(353,722)	-	-
Increase in long-term loans from financial institutions	214,000,000	4,672,000,000	214,000,000	4,672,000,000
Decrease in long-term loans from financial institutions	(420,000,000)	(9,399,345,719)	(420,000,000)	(6,079,552,152)
Net cash received from issuance of debentures	-	6,984,863,400	-	6,984,863,400
Dividend paid for minority interest	(9,360,000)	(6,006,675)	-	-
Dividend payment	(1,275,746,680)	(1,236,892,179)	(1,275,746,680)	(1,236,892,179)
<b>Net cash flows from (used in) financing activities</b>	<b>(1,491,106,680)</b>	<b>1,014,265,105</b>	<b>(1,481,746,680)</b>	<b>4,340,419,069</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(211,696,530)</b>	<b>1,416,652,314</b>	<b>(253,701,360)</b>	<b>1,077,743,857</b>
Cash and cash equivalents at beginning of year	2,285,587,568	868,935,254	1,740,130,052	662,386,195
<b>Cash and cash equivalents at end of year</b>	<b>2,073,891,038</b>	<b>2,285,587,568</b>	<b>1,486,428,692</b>	<b>1,740,130,052</b>
<b>Supplemental cash flows information</b>				
Non-cash transactions				
Increase in property, plant and equipment from				

amounts due to related party and other payable	68,268,018	43,796,208	68,268,018	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

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

Thai Tap Water Supply Public Company Limited and its subsidiaries

Statements of changes in shareholders' equity

For the years ended 31 December 2010 and 2009

(Unit : Baht)

	Separate financial statements					Total
	Issued and paid-up share capital	Share premium	Retained earnings			
			Appropriated statutory reserve	Appropriated other reserve	Unappropriated	
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 26)	-	-	-	-	(1,236,892,179)	(1,236,892,179)
Unappropriated retained earnings						
transferred to other reserve (Note 19)	-	-	-	100,003,271	(100,003,271)	-
Balance as at 31 December 2009	3,990,000,000	2,637,769,601	399,000,000	172,450,096	1,408,791,433	8,608,011,130
Balance as at 31 December 2009	3,990,000,000	2,637,769,601	399,000,000	172,450,096	1,408,791,433	8,608,011,130
Net income for the year	-	-	-	-	1,958,751,160	1,958,751,160
Dividend paid (Note 26)	-	-	-	-	(1,275,746,680)	(1,275,746,680)
Unappropriated retained earnings						
transferred to other reserve (Note 19)	-	-	-	148,534,578	(148,534,578)	-
Balance as at 31 December 2010	3,990,000,000	2,637,769,601	399,000,000	320,984,674	1,943,261,335	9,291,015,610

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 2010 and 2009

(Unit : Baht)

	Consolidated financial statements								
	Equity attributable to the parent's shareholders					Dirrerence 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				
<b>Balance as at 31 December 2008</b>	3,990,000,000	2,637,769,601	399,000,000	72,446,825	1,811,236,880	(600,362,806)	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 26)	-	-	-	-	(1,236,892,179)	-	(1,236,892,179)	-	(1,236,892,179)
Unappropriated retained earnings									
transferred to other reserve (Note 19)	-	-	-	100,003,271	(100,003,271)	-	-	-	-
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(6,006,675)	(6,006,675)
<b>Balance as at 31 December 2009</b>	3,990,000,000	2,637,769,601	399,000,000	172,450,096	2,067,968,638	(600,362,866)	8,666,825,469	27,914,302	8,694,739,771
<b>Balance as at 31 December 2009</b>	3,990,000,000	2,637,769,601	399,000,000	172,450,096	2,067,968,638	(600,362,866)	8,666,825,469	27,914,302	8,694,739,771
Net income for the year	-	-	-	-	2,062,888,854	-	2,062,888,854	11,074,455	2,073,963,309
Dividend paid (Note 26)	-	-	-	-	(1,275,746,680)	-	(1,275,746,680)	-	(1,275,746,680)
Unappropriated retained earnings									
transferred to other reserve (Note 19)	-	-	-	148,534,578	(148,534,578)	-	-	-	-
Minority interest - equity attributable to minority shareholders of subsidiaries	-	-	-	-	-	-	-	(9,360,000)	(9,360,000)
<b>Balance as at 31 December 2010</b>			3,990,000,000	2,637,769,601	399,000,000	320,984,674	2,706,576,234	(600,362,866)	9,453,967,643

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 2010 and 2009

#### 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 (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.

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

#### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547 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	
			2010	2009	2010	2009	2010	2009
			Percent	Percent	Percent	Percent	Percent	Percent
WaterFlow Company Limited	Operating and maintenance of water supply project	Thailand	-	100	-	0.32	-	0.07
Pathum Thani Water Company Limited	Production and sale of treated water in Pathumthani	Thailand	98	98	21.25	21.28	31.22	33.19
BJT Water Company Limited (100 percent held by Pathum Thani Water Company Limited)	Operating and maintenance of water supply project	Thailand	-	98 (Indirect holding)	-	0.27	-	1.05
Thai Water Operations Company Limited (as mentioned in Note 11)	Operating and maintenance of water supply project	Thailand	68.5	-	0.58	-	1.16	-

- 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 using the same significant accounting policies as the Company.
- 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

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements

(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

- b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines.

At present, the management is evaluating the impact on the financial statements in the year when this standard is adopted.

#### **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**

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the income statement.

The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association. The fair value of unit trusts is determined from their net asset value.

#### **4.6 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.



#### 4.7 Property, plant and equipment and depreciation

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

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

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

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

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

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### 4.8 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** = 
$$\frac{\text{Current period's actual production of treated water}}{\text{(Actual production of treated water for the period + Projected total production of treated water over the remaining term of concession for production and sale of treated water)}}$$
 produced in the period

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

Amortisation is included in determining income.

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

#### 4.9 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.

#### 4.10 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.

##### a) 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:

**Amortisation for the period** = Net rights to produce and sell treated water as at the beginning of period x Percentage of treated water produced in the period

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

**Net rights to produce and sell treated water as at** = Total rights to treated water - Accumulated amortisation as at the beginning of the period

Amortisation is included in determining income.

**b) 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:

**Amortisation for the period** = Net rights to treat waste water as at the beginning of period x Percentage of waste water treated in the period

**Percentage of waste water treated in the period** = 
$$\frac{\text{Current period's actual treatment of waste water}}{(\text{Actual treatment of wasted water for the period} + \text{Projected total treatment of waste water over the remaining term of operation rights})}$$

**Net rights to treat waste water as at beginning of the period** = Total rights to treat waste water - Accumulated amortisation as at the beginning of the period

Amortisation is included in determining income.

**4.11 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.

**4.12 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.

#### **4.13 Long-term leases**

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.14 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.

#### **4.15 Employee benefits**

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

#### **4.16 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)

	<i>Consolidated</i>		<i>Separate</i>		<i>Transfer Pricing Policy</i>
	<i>financial statements</i>		<i>financial statements</i>		
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	
<u>Transactions with subsidiary company</u>					
(eliminated from the consolidated financial statements)					
Other income	-	-	-	7.5	Based on contract
Interest income	-	-	107.7	19.4	Minimum Loan Rate minus stipulated margin per annum
Cost of sales and services	-	-	28.9	36.4	Based on contract
<u>Transactions with related parties</u>					
Cost of sales and services	5.3	-	5.3	-	Agreed between the parties
Construction in progress	655	362.6	655	362.6	Based on contract
Acquisition of rights to operate and sell treated water and treat waste water					
water	-	1,400	-	1,400	Based on contract

As at 31 December 2010 and 2009, the balances of the accounts between the Company and those related companies are as follows:

(Unit: Baht)				
	Consolidated financial		Separate financial	
	statements		statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b><u>Other receivable - related parties</u></b>				
<b><u>Subsidiary</u></b>				
- Thai Water Operations Company Limited	-	-	-	117,000
(Formerly known as "WaterFlow Company Limited")	-	-	-	117,000
<b><u>Related companies</u></b>				
- Bangkok Expressway Public Company Limited	3,909	2,526	3,909	2,526
- Prompratam Construction Limited Partnership	-	11,876	-	11,876
- Others	6,434	7,156	6,434	7,156
	<u>10,343</u>	<u>21,558</u>	<u>10,343</u>	<u>21,558</u>
	<u>10,343</u>	<u>21,558</u>	<u>10,343</u>	<u>138,558</u>
<b><u>Long-term loans to related party and interest receivable</u></b>				
<b><u>Subsidiary</u></b>				
Pathum Thani Water Company Limited				
Loan	-	-	2,712,500,000	3,022,500,000
Interest	-	-	578,938	601,295
Total	-	-	<u>2,713,078,938</u>	<u>3,023,101,295</u>
Less: current portion and interest receivable	-	-	(310,578,938)	(310,601,295)
Long-term loans to related party - net	-	-	<u>2,402,500,000</u>	<u>2,712,500,000</u>
<b><u>Advance payment for construction - related party</u></b>				
- CH. Kamchang Public Company Limited	2,069,416	41,452,975	2,069,416	41,452,975
	<u>2,069,416</u>	<u>41,452,975</u>	<u>2,069,416</u>	<u>41,452,975</u>
<b><u>Trade accounts payable - related party</u></b>				
<b><u>Subsidiary</u></b>				
- Thai Water Operations Company Limited	-	-	2,610,554	3,420,284
(Formerly known as "WaterFlow Company Limited")	-	-	<u>2,610,554</u>	<u>3,420,284</u>
<b><u>Amounts due to related parties</u></b>				
<b><u>Subsidiary</u></b>				
- Pathum Thani Water Company Limited	-	-	-	188,097
	-	-	-	<u>188,097</u>

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b><u>Related companies</u></b>				
- CH. Kamchang Public Company Limited	13,932,265	29,335,406	13,796,108	29,295,045
- Bangpa-in Land Development Company Limited	804,345	467,963	804,345	280,189
	14,736,610	29,803,369	14,600,453	29,575,234
	<b>14,736,610</b>	<b>29,803,369</b>	<b>14,600,453</b>	<b>29,763,331</b>
<b><u>Other payable - related party</u></b>				
- Bangpa-in Land Development Company Limited	214,000,000	214,000,000	214,000,000	214,000,000
	<b>214,000,000</b>	<b>214,000,000</b>	<b>214,000,000</b>	<b>214,000,000</b>
<b><u>Retention for contract work - related party</u></b>				
- CH. Kamchang Public Company Limited	-	7,900,746	-	7,900,746
	<b>-</b>	<b>7,900,746</b>	<b>-</b>	<b>7,900,746</b>
<b><u>Retention - subsidiary</u></b>				
- Thai Water Operations Company Limited	-	-	5,000,000	5,000,000
(Formerly known as "WaterFlow Company Limited")	-	-	5,000,000	5,000,000
<b><u>Long-term other payable - related party</u></b>				
- Bangpa-in Land Development Company Limited	-	214,000,000	-	214,000,000
	<b>-</b>	<b>214,000,000</b>	<b>-</b>	<b>214,000,000</b>

During 2010, movements of long-term loans to a related party were as follow:

(Unit: Baht)

	Separate financial statements			
	Balance as at	During the year		Balance as at
	1 January 2010	Increase	Decrease	31 December
				2010
Long-term loans				
- Pathum Thani Water Company Limited				
Loan	3,022,500,000	-	(310,000,000)	2,712,500,000
Interest	601,295	107,676,618	(107,698,975)	578,938
	3,023,101,295	107,676,618	(417,698,975)	2,713,078,938

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 benefits**

In 2010 the Company and its subsidiaries had salaries, bonus, meeting allowance and gratuities of their directors and management recognised as expenses totaling Baht 51.5 million (Separate financial statements: Baht 33.0 million) (2009: Baht 52.6 million, Separate financial statements: Baht 32.9 million).

## 7. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Cash	445,344	517,440	65,000	60,000
Bank deposits	2,073,445,694	2,285,070,128	1,486,363,692	1,740,070,052
Total	<u>2,073,891,038</u>	<u>2,285,587,568</u>	<u>1,486,428,692</u>	<u>1,740,130,052</u>

As at 31 December 2010, bank deposits in saving accounts, and fixed deposits carried interests between 0.25 and 0.85 percent per annum (2009: between 0.5 and 0.85 percent per annum).

## 8. Current investments

The balances of current investments represent investments in trading securities and the six-month period to twelve-month period fixed deposits, carrying interest between 0.25 and 5.375 percent per annum.

(Unit: Baht)

	Consolidated/ separate financial statements	
	<u>2010</u>	<u>2009</u>
<u>Fixed Deposit</u>	1,113,031,257	1,084,842,552
	<u>1,113,031,257</u>	<u>1,084,842,552</u>
<u>Investments in trading securities at fair value</u>		
Government and state enterprise bonds	596,378,468	-
Private sector debt securities	174,876,926	-
Marketable equity securities	25,054,298	-
	<u>796,309,692</u>	<u>-</u>
Total current investments	<u>1,909,340,949</u>	<u>1,084,842,552</u>

## 9. Trade accounts receivable

As at 31 December 2010 and 2009, the outstanding balances of trade accounts receivable was over due less than 3 months.



## 10. Raw materials and supplies

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Raw materials	5,556,743	4,786,864	3,764,189	2,937,284
Spare parts	18,111,915	17,716,610	10,530,450	10,792,645
Total	<u>23,668,658</u>	<u>22,503,474</u>	<u>14,294,639</u>	<u>13,729,929</u>

## 11. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up capital		Shareholding		Investments at cost		Dividend received during the year	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Million	Million	Percent	Percent				
Thai Water Operations Company Limited (Formerly known as "WaterFlow Company Limited")	60	10	68.5	100	700,000,000	700,000,000	-	-
Pathum Thani Water Company Limited	1,200	1,200	98	98	3,998,309,900	3,998,309,900	458,629,587	293,993,325
					4,698,309,900	4,698,309,900	458,629,587	293,993,325
Less: Accumulated amortisation of investments in subsidiaries					(767,962,182)	(546,468,034)	-	-
Less: Dividend received from income before purchase of shares					(20,000,000)	(20,000,000)	-	-
Total					<u>3,910,347,718</u>	<u>4,131,841,866</u>	<u>458,629,587</u>	<u>293,993,325</u>

During the first quarter of the year 2010, the Company received dividend from Pathum Thani Water Company Limited amounting to Baht 311.6 million, in accordance with a resolution of the Annual General Meeting of Pathum Thani Water Company Limited held on 24 March 2010.

During the third quarter of the year 2010, the Company received dividend from Pathum Thani Water Company Limited amounting to Baht 147.0 million, in accordance with a resolution of the meeting of the Board of Directors of Pathum Thani Water Company Limited held on 29 July 2010.

### **Business combination of subsidiaries**

On 30 September 2009, the meeting of the Company's Board of Directors passed a resolution approving a reorganization of the structure and operations of the group of the companies by means of a business combination between the two subsidiaries, WaterFlow Company Limited and BJT Water Company Limited (100% held by Pathum Thani Water Company Limited) at net book value of two companies. The new company, which is Thai Water Operations Company Limited, received the assets, liabilities, rights and obligations of BJT Water Company Limited and WaterFlow Company Limited, with the combination completed in January 2010. Thai Water Operations Company Limited registered as a new company with the Ministry of Commerce on 8 January 2010, and this effectively terminated the legal entities of BJT Water Company Limited and WaterFlow Company Limited on the same day. As a result of the business combination, the Company's shareholding in Thai Water Operations Company Limited has changed from 100.00 percent to 68.50 percent. Such business combination has no effect on the consolidated financial statements as a whole.

Thai Water Operations Company Limited did not paid dividend during the year 2010.

## 12. 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
<b>Cost:</b>								
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
Additions	28,417,375	73,321,779	625,483,878	574,398	3,580,884	22,513,698	299,117	754,191,129
Disposals/ written off	-	-	-	-	(129,594)	(7,548,751)	(38,454)	(7,716,799)
Transfer in (out)	-	1,177,970,640	(1,178,908,640)	186,000	752,000	-	-	-
31 December 2010	480,681,777	10,798,001,484	9,202,350	11,058,903	88,089,869	47,410,369	20,614,723	11,455,059,475
<b>Accumulated depreciation:</b>								
31 December 2009	-	1,496,075,383	-	3,522,315	47,713,605	20,886,327	14,990,685	1,583,188,315
Depreciation for the year	-	351,567,264	-	1,641,415	10,667,807	6,027,044	2,354,800	372,258,330
Depreciation on disposals/ written off	-	-	-	-	(124,457)	(4,320,828)	(16,776)	(4,462,061)
31 December 2010	-	1,847,642,647	-	5,163,730	58,256,955	22,592,543	17,328,709	1,950,984,584
<b>Net book value:</b>								
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
31 December 2010	480,681,777	8,950,358,837	9,202,350	5,895,173	29,832,914	24,817,826	3,286,014	9,504,074,891
<b>Depreciation for the year</b>								
2009 (Baht 336 million included in cost of sales of treated water and service, and the balance in administrative expenses)								344,833,220

2010 (Baht 363 million included in cost of sales of treated water and service, and the balance in administrative expenses)

372,258,330

(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 2009	397,531,902	9,546,709,066	562,627,112	10,298,505	42,964,239	12,861,321	9,270,272	10,582,262,417
Additions	28,417,375	73,321,779	625,483,878	574,398	2,858,326	16,937,048	68,500	747,661,304
Disposals	-	-	-	-	-	(3,548,751)	-	(3,548,751)
Transfer in (out)	-	1,177,970,640	(1,178,908,640)	186,000	752,000	-	-	-
31 December 2010	425,949,277	10,798,001,485	9,202,350	11,058,903	46,574,565	26,249,618	9,338,772	11,326,374,970
Accumulated depreciation:								
31 December 2009	-	1,496,075,384	-	3,522,315	12,411,449	9,012,583	5,044,688	1,526,066,419
Depreciation for the year	-	351,567,264	-	1,641,415	8,565,045	2,937,980	1,821,078	366,532,782
Depreciation on disposals	-	-	-	-	-	(3,319,595)	-	(3,319,595)
31 December 2010	-	1,847,642,648	-	5,163,730	20,976,494	8,630,968	6,865,766	1,889,279,606
Net book value:								
31 December 2009	397,531,902	8,050,633,682	562,627,112	6,776,190	30,552,790	3,848,738	4,225,584	9,056,195,998
31 December 2010	425,949,277	8,950,358,837	9,202,350	5,895,173	25,598,071	17,618,650	2,473,006	9,437,095,364
Depreciation for the year								
2009 (Baht 333 million included in cost of sales of treated water and service, and the balance in administrative expenses)								338,382,611
2010 (Baht 360 million included in cost of sales of treated water and service, and the balance in administrative expenses)								366,532,782



As at 31 December 2010, certain plant and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to approximately Baht 58.5 million (2009: Baht 49.1 million) (The Company only: Baht 10.6 million, 2009: Baht 6.8 million).

During the year 2010, the Company capitalised interest expenses, of approximately Baht 40.5 million as part of property, plant and equipment.

**13. Assets for production of treated water that must be transferred at end of concession**

(Unit: Baht)

	Consolidated financial statements			
	Water treatment plant and local distribution treated water			
	Land	system	Construction in progress	Total
<b>Cost:</b>				
31 December 2009	413,087,705	5,939,711,021	-	6,352,798,726
Additions	5,000,000	1,074,790	2,067,315	8,142,105
31 December 2010	418,087,705	5,940,785,811	2,067,315	6,360,940,831
<b>Accumulated amortisation:</b>				
31 December 2009	181,958,918	2,286,591,646	-	2,468,550,564
Amortisation for the year	16,454,946	255,049,235	-	271,504,181
31 December 2010	198,413,864	2,541,640,881	-	2,740,054,745
<b>Net book value</b>				
31 December 2009	231,128,787	3,653,119,375	-	3,884,248,162
31 December 2010	219,673,841	3,399,144,930	2,067,315	3,620,886,086
<b>Amortisation for the year included in cost of sales of treated water in the income statements</b>				
2009				253,805,882
2010				271,504,181

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.

#### 14. Rights to produce and sell treated water and treat waste water

(Unit: Baht)

	Consolidated financial statements / Separate financial statements	
	2010	2009
Rights to produce and sell treated water and treat waste water	1,410,074,586	1,410,074,586
<u>Less:</u> Accumulated amortisation of rights to produce and sell treated water and treat waste water	(45,863,847)	(9,756,047)
Rights to produce and sell treated water and treat waste water, net	1,364,210,739	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 for a period of 30 years commencing on 8 August 2009") 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.

#### 15. Rights to produce and sell treated water

(Unit: Baht)

	Consolidated financial statements	
	2010	2009
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	(674,863,198)	(479,916,807)
Rights to produce and sell treated water, net	2,494,245,605	2,689,191,996



## 16. Long-term loans from financial institutions

(Unit: Baht)

Loan	Interest rate	Repayment schedule	Consolidated financial statements		Separate financial statements	
	(%)		2010	2009	2010	2009
1.	MLR - stipulated rate	Quarterly installments				
	in agreement between	as from March 2010				
	2.00% - 2.25%	to June 2019	1,226,000,000	1,072,000,000	1,226,000,000	1,072,000,000
2.	MLR - stipulated rate	Quarterly installments				
	in agreement between	as from December 2009				
	2.00% - 2.25%	to September 2019	3,150,000,000	3,510,000,000	3,150,000,000	3,510,000,000
Total			4,376,000,000	4,582,000,000	4,376,000,000	4,582,000,000
Less: Current portion			(450,000,000)	(420,000,000)	(450,000,000)	(420,000,000)
Long-term loans, net			3,926,000,000	4,162,000,000	3,926,000,000	4,162,000,000

As at 31 December 2010, the Company has yet to draw down Baht 214 million of this long-term credit facility.

Long-term loan in No.1 requires the Company to follow certain financial terms such as to maintain financial ratios.

## 17. 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.

**18. Statutory reserve**

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

**19. 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.

**20. Sales of treated water**

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

**21. Expenses by nature**

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Salary and wages and other employee benefits	125,048,987	111,248,699	50,289,263	32,132,985
Depreciation	372,258,330	344,833,220	366,532,782	338,382,611
Amortisation of assets for production of treated water that must be transferred at end of concession	271,504,181	253,805,882	-	-
Amortisation of investments in subsidiaries	-	-	221,494,148	221,494,148
Operate and maintenance expenses	-	-	34,148,868	35,288,373
Production and maintenance cost	583,932,017	480,610,823	323,555,958	253,815,726

## 22. Promotional privileges

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

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

During the current year, the Company had received promotional privileges from the Board of Investment for production of treated water, pursuant to the promotion certificate No. 2437(2)/ 2553 issued on 13 September 2010. 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 (30 September 2010).

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	
	2010	2009	2010	2009	2010	2009
Sales of treated water	2,761,646,080	2,592,395,254	170,574,691	54,221,940	2,932,220,771	2,646,617,194

## 23. 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.

## 24. Segment information

The Company's and its subsidiaries' business 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.

## 25. Provident fund

The Company and its subsidiaries have established provident funds jointly with their employees in accordance with the Provident Fund Act B.E. 2530. The Company, the subsidiaries and their employees contribute to the funds monthly at a rate of 5 percent of basic salary. The funds, which are managed by TMB 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 2010, the Company and the subsidiaries contributed Baht 3.4 million (Separate financial statements: Baht 1.5 million) (2009: Baht 3.3 million, Separate financial statements: Baht 1.1 million) to the funds.

## 26. 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 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
Interim 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>	
Interim dividends from the earnings of the promoted operations from July to December 2009 to the shareholders listed in the share register book as at 23 February 2010	Annual General Meeting of the Company's shareholders for the year 2010 on 2 April 2010	678,275,830	0.17
Interim dividends from the earnings of the promoted operations for January to June 2010 to the shareholders listed in the share register book as at 16 August 2010	Board of Directors Meeting No.3/2010 on 30 July 2010	597,470,850	0.15
Total dividend for 2010		<u>1,275,746,680</u>	

## **27. Corporate income tax**

The Company had no corporate income tax payable on the net income from non-promoted operations for the years ended 31 December 2010 and 2009, since the Company had tax loss brought forward from previous years over its net income from the years.

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.

## **28. Commitments and contingent liabilities**

### **28.1 Capital commitments**

As at 31 December 2010, the Company and its subsidiaries had capital commitments of Baht 22.2 million relating to the expansion project of water treatment plant, construction of treat waste water system including an installment of surged and lighting protection system.

### **28.2 Service commitments and other commitments**

- a) The Company has entered into an operation and maintenance agreement with Thai Water Operations 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 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.
- c) As at 31 December 2010, a subsidiary had commitments totaling Baht 4.3 million under other service agreements.

### 28.3 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of land. The terms of the agreements are generally between 1 March 2010 and 28 February 2035. As at 31 December 2010, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	<u>Million Baht</u>
Payable within:	
1 to 5 years	0.5
More than 5 years	11.9

During the year 2010, the Company recognised rental expenses in income statements of Baht 0.5 million.

### 28.4 Bank guarantees

As at 31 December 2010, there were outstanding bank guarantees of approximately Baht 262.8 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 211.4 million required under the Water Purchase Agreement with the Provincial Waterworks Authority, Baht 51.4 million to guarantee electricity use (Separate financial statements: Baht 51.8 million under the Water Purchase Agreement with the Provincial Waterworks Authority and Baht 34.0 million to guarantee electricity use).

### 28.5 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 (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.

## 29. Financial instruments

### 29.1 Financial risk management

The Company's and its subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "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 2010 classified by type of interest rates are summarized in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

Consolidated financial statements

	Fixed interest rates					Effective interest rate  (% p.a.)	
	Within	1-5	Over	Floating	Non- interest		
	1 year	years	5 years	interest rate	bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	-	-	-	2,074	-	2,074	0.25 - 0.85
Current investments	1,909	-	-	-	-	1,909	0.25 - 5.375
Trade accounts receivable	-	-	-	-	401	401	
	1,909	-	-	2,074	401	4,384	
Financial liabilities							
Trade accounts payable	-	-	-	-	33	33	
Amounts due to related parties	-	-	-	-	15	15	
Amounts due to unrelated parties	-	-	-	-	3	3	
Other payable	-	-	-	-	273	273	
Retention payable for contract work	-	-	-	-	2	2	
Debentures	-	5,195	1,797	-	-	6,992	4.00 - 5.35
Long-term loans	-	-	-	4,376	-	4,376	3.625 - 3.875
	-	5,195	1,797	4,376	326	11,694	

Separate financial statements

	Fixed interest rates						Effective interest rate  (% p.a.)
	Within	1-5	Over	Floating	Non- interest	Total	
	1 year	years	5 years	interest rate	bearing		
	(Million Baht)						
<b>Financial assets</b>							
Cash and cash equivalents	-	-	-	1,486	-	1,486	0.25 - 0.85
Current investments	1,909	-	-	-	-	1,909	0.25 - 5.375
Trade accounts receivable	-	-	-	-	273	273	
Long-term loans to related party	-	-	-	2,713	-	2,713	3.725 - 4.00
	1,909	-	-	4,199	273	6,381	
<b>Financial liabilities</b>							
Trade accounts payable	-	-	-	-	28	28	
Amounts due to related parties	-	-	-	-	15	15	
Other payable	-	-	-	-	273	273	
Retention payable for contract work	-	-	-	-	2	2	
Debentures	-	5,195	1,797	-	-	6,992	4.00 - 5.35
Long-term loans	-	-	-	4,376	-	4,376	3.625 - 3.875



-	5,195	1,797	4,376	318	11,686
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### ***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.

## **29.2 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 2010, fair value of significant financial instruments are estimated to be close to the carrying amounts in the balance sheet, with no material differences.

## **30. Capital management**

The primary objective of the Company and its subsidiaries for capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue their business as a going concern.

According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 1.27:1 (2009: 1.42:1) and the Company's was 1.28:1 (2009: 1.42:1).

## **31. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 1 February 2011.

