

**TRUE MOVE COMPANY LIMITED**

**CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

**AUDITOR'S REPORT**

To the Shareholders of True Move Company Limited

I have audited the accompanying consolidated and company balance sheets as at 31 December 2008 and 2007, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of True Move Company Limited and its subsidiary and of True Move Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2008 and 2007, and the consolidated and company results of operations and cash flows for the years then ended of True Move Company Limited and its subsidiary and of True Move Company Limited, respectively, in accordance with generally accepted accounting principles.

Without qualifying my opinion, I draw attention to Note 29 to the financial statements. There are uncertainties in respect of significant outstanding lawsuits and commercial disputes. The ultimate outcome of such lawsuits and commercial disputes cannot presently be determined and no provision for any liability that may result has been made in the financial statements.



Pisit Thangtanagul  
Certified Public Accountant (Thailand) No. 4095  
PricewaterhouseCoopers ABAS Limited

Bangkok  
25 February 2009

**True Move Company Limited**  
**Balance Sheets**  
**As at 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008	Restated 2007	2008	Restated 2007
		Baht	Baht	Baht	Baht
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	1,708,143,585	2,572,183,052	1,423,271,166	1,924,756,094
Restricted cash	9	43,584,663	43,658,103	43,584,663	43,658,103
Trade accounts receivable, net (including amounts due from related companies)	10	4,539,181,823	9,119,412,291	4,349,246,561	9,186,809,281
Amounts due from related companies	25	119,507,414	32,584,067	107,844,043	51,449,081
Inventories, net	11	1,189,376,454	1,608,787,337	44,481,360	71,057,158
Claimable value added tax		379,849,268	277,786,285	241,889,790	162,790,516
Other current assets	12	1,396,931,430	1,137,171,373	1,290,082,900	1,056,452,269
<b>Total current assets</b>		<b>9,376,574,637</b>	<b>14,791,582,508</b>	<b>7,500,400,483</b>	<b>12,496,972,502</b>
<b>Non-current assets</b>					
Property, plant and equipment, net	14	35,226,923,865	38,691,712,122	34,926,846,079	38,454,994,317
Intangible assets, net	15	1,516,371,881	1,519,023,727	1,506,818,677	1,511,518,757
Forward contract receivable	27	320,686,335	387,429,978	320,686,335	387,429,978
Other non-current assets		145,148,050	120,122,561	116,885,018	95,775,095
<b>Total non-current assets</b>		<b>37,209,130,131</b>	<b>40,718,288,388</b>	<b>36,871,236,109</b>	<b>40,449,718,147</b>
<b>Total assets</b>		<b>46,585,704,768</b>	<b>55,509,870,896</b>	<b>44,371,636,592</b>	<b>52,946,690,649</b>

Director \_\_\_\_\_ Director \_\_\_\_\_

**True Move Company Limited**  
**Balance Sheets (Cont'd)**  
**As at 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008	Restated	2008	Restated
		Baht	Baht	Baht	Baht
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade accounts and notes payable (including amount due to related companies)	16	8,341,098,187	14,731,806,606	6,371,103,523	12,361,997,915
Other accounts payable		667,334,918	630,877,249	600,723,211	568,840,899
Current portion of long-term borrowings	17	1,683,387,036	1,359,537,394	1,683,387,036	1,359,537,394
Amounts due to related companies	25	157,968,545	144,614,672	258,730,200	96,101,908
Accrued expenses		1,052,451,341	1,306,403,782	1,087,542,991	1,272,444,101
Accrued regulatory cost		2,721,111,871	2,141,000,601	2,721,111,871	2,141,000,601
Unearned service income		199,970,244	327,819,998	197,766,194	327,819,998
Forward contract payable	27	874,345,336	914,299,754	874,345,336	914,299,754
Liability under agreement for operation	18	315,338,061	91,991,956	315,338,061	91,991,956
Other current liabilities		443,502,864	393,312,738	132,392,556	344,450,677
<b>Total current liabilities</b>		<b>16,456,508,403</b>	<b>22,041,664,750</b>	<b>14,242,440,979</b>	<b>19,478,485,203</b>
<b>Non-current liabilities</b>					
Notes payable	16	359,771,781	89,538,528	359,771,781	89,538,528
Long-term borrowings	17	26,568,454,863	27,147,185,419	26,568,454,863	27,147,185,419
Forward contract payable	27	3,605,244,180	2,495,078,359	3,605,244,180	2,495,078,359
Liability under agreement for operation	18	2,245,087,280	2,560,425,341	2,245,087,280	2,560,425,341
<b>Total non-current liabilities</b>		<b>32,778,558,104</b>	<b>32,292,227,647</b>	<b>32,778,558,104</b>	<b>32,292,227,647</b>
<b>Total liabilities</b>		<b>49,235,066,507</b>	<b>54,333,892,397</b>	<b>47,020,999,083</b>	<b>51,770,712,850</b>
<b>Shareholders' equity</b>					
Share capital					
Authorised share capital	19	34,700,206,930	33,600,167,640	34,700,206,930	33,600,167,640
Issued and paid-up share capital		34,700,206,930	33,600,167,640	34,700,206,930	33,600,167,640
Premium on share capital	19	1,858,400,000	1,858,400,000	1,858,400,000	1,858,400,000
Deficits		(39,207,969,421)	(34,282,589,841)	(39,207,969,421)	(34,282,589,841)
<b>Total parent's shareholders' equity</b>		<b>(2,649,362,491)</b>	<b>1,175,977,799</b>	<b>(2,649,362,491)</b>	<b>1,175,977,799</b>
Minority interest		752	700	-	-
<b>Total shareholders' equity</b>		<b>(2,649,361,739)</b>	<b>1,175,978,499</b>	<b>(2,649,362,491)</b>	<b>1,175,977,799</b>
<b>Total liabilities and shareholders' equity</b>		<b>46,585,704,768</b>	<b>55,509,870,896</b>	<b>44,371,636,592</b>	<b>52,946,690,649</b>

The notes on pages 8 to 42 form integral part of these interim financial statements.

**True Move Company Limited**  
**Statements of Income**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	Restated 2007 Baht	2008 Baht	Restated 2007 Baht
<b>Revenues</b>					
Revenues from mobile phone and other services		30,968,075,629	32,491,899,517	29,981,333,863	31,777,707,913
Revenues from product sales		607,785,451	927,962,505	449,830,029	611,368,097
<b>Total revenues</b>		<b>31,575,861,080</b>	<b>33,419,862,022</b>	<b>30,431,163,892</b>	<b>32,389,076,010</b>
Cost of providing services		24,418,255,179	24,290,944,642	23,661,342,135	23,709,202,180
Cost of sales		568,812,464	717,262,789	377,151,030	472,248,874
<b>Total costs</b>		<b>24,987,067,643</b>	<b>25,008,207,431</b>	<b>24,038,493,165</b>	<b>24,181,451,054</b>
<b>Gross profit</b>		<b>6,588,793,437</b>	<b>8,411,654,591</b>	<b>6,392,670,727</b>	<b>8,207,624,956</b>
Selling and administrative expenses		(6,095,756,631)	(5,779,131,215)	(5,870,009,728)	(5,525,520,220)
Other expenses	21	(23,494,665)	(179,358,508)	(23,494,665)	(179,358,508)
Other income		233,737,103	116,609,362	205,386,643	68,961,623
<b>Profit before financial costs and income tax</b>		<b>703,279,244</b>	<b>2,569,774,230</b>	<b>704,552,977</b>	<b>2,571,707,851</b>
Financial costs, net	22	(5,628,658,824)	(4,176,987,188)	(5,629,932,557)	(4,178,920,809)
<b>Loss before income tax</b>		<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>	<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>
Income tax	23	-	-	-	-
<b>Net loss for the year</b>		<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>	<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>
<b>Attributable to:</b>					
Shareholders of the Company		(4,925,379,580)	(1,607,212,958)	(4,925,379,580)	(1,607,212,958)
Minority interest		-	-	-	-
		<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>	<b>(4,925,379,580)</b>	<b>(1,607,212,958)</b>
<b>Basic loss per share</b>					
Net loss for the year	24	(1.46)	(0.52)	(1.46)	(0.52)

The notes on pages 8 to 42 form integral part of these interim financial statements.

**True Move Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the years ended 31 December 2008 and 2007**

	<b>Consolidated</b>				
	<b>Issued and paid-up</b>	<b>Premium on</b>		<b>Minority</b>	<b>Total</b>
	<b>share capital</b>	<b>share capital</b>	<b>Deficit</b>	<b>interest</b>	<b>Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Opening balance as at 1 January 2008</b>					
<b>As previously reported</b>	33,600,167,640	1,858,400,000	(32,121,425,082)	700	3,337,143,258
Prior year adjustment (Note 6)	-	-	(2,161,164,759)	-	(2,161,164,759)
As restated	33,600,167,640	1,858,400,000	(34,282,589,841)	700	1,175,978,499
Additional shares (Note 19)	1,100,039,290	-	-	52	1,100,039,342
Net loss for the year	-	-	(4,925,379,580)	-	(4,925,379,580)
<b>Closing balance as at 31 December 2008</b>	<b>34,700,206,930</b>	<b>1,858,400,000</b>	<b>(39,207,969,421)</b>	<b>752</b>	<b>(2,649,361,739)</b>
<b>Opening balance as at 1 January 2007</b>					
<b>As previously reported</b>	30,600,153,320	1,858,400,000	(30,545,858,532)	700	1,912,695,488
Prior year adjustment	-	-	(2,129,518,351)	-	(2,129,518,351)
As restated	30,600,153,320	1,858,400,000	(32,675,376,883)	700	(216,822,863)
Additional shares (Note 19)	3,000,014,320	-	-	-	3,000,014,320
Net loss for the year	-	-	(1,607,212,958)	-	(1,607,212,958)
<b>Closing balance as at 31 December 2007</b>	<b>33,600,167,640</b>	<b>1,858,400,000</b>	<b>(34,282,589,841)</b>	<b>700</b>	<b>1,175,978,499</b>
	<b>Company</b>				
	<b>Issued and paid-up</b>	<b>Premium on</b>		<b>Deficit</b>	<b>Total</b>
	<b>share capital</b>	<b>share capital</b>	<b>Deficit</b>	<b>Baht</b>	<b>Baht</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<b>Opening balance as at 1 January 2008</b>					
<b>As previously reported</b>	33,600,167,640	1,858,400,000	(32,121,425,082)		3,337,142,558
Prior year adjustment (Note 6)	-	-	(2,161,164,759)		(2,161,164,759)
As restated	33,600,167,640	1,858,400,000	(34,282,589,841)		1,175,977,799
Additional shares (Note 19)	1,100,039,290	-	-		1,100,039,290
Net loss for the year	-	-	(4,925,379,580)		(4,925,379,580)
<b>Closing balance as at 31 December 2008</b>	<b>34,700,206,930</b>	<b>1,858,400,000</b>	<b>(39,207,969,421)</b>		<b>(2,649,362,491)</b>
<b>Opening balance as at 1 January 2007</b>					
<b>As previously reported</b>	30,600,153,320	1,858,400,000	(30,545,858,532)		1,912,694,788
Prior year adjustment	-	-	(2,129,518,351)		(2,129,518,351)
As restated	30,600,153,320	1,858,400,000	(32,675,376,883)		(216,823,563)
Additional shares (Note 19)	3,000,014,320	-	-		3,000,014,320
Net loss for the year	-	-	(1,607,212,958)		(1,607,212,958)
<b>Closing balance as at 31 December 2007</b>	<b>33,600,167,640</b>	<b>1,858,400,000</b>	<b>(34,282,589,841)</b>		<b>1,175,977,799</b>

The notes on pages 8 to 42 form integral part of these interim financial statements.

**True Move Company Limited**  
**Statements of Cash Flows**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	Restated 2007 Baht	2008 Baht	Restated 2007 Baht
<b>Cash flows from operating activities</b>					
Net loss for the year		(4,925,379,580)	(1,607,212,958)	(4,925,379,580)	(1,607,212,958)
Adjustments :					
Interest income		(67,404,777)	(46,733,024)	(65,745,324)	(44,836,658)
Interest expenses on long-term borrowings		3,115,282,491	2,982,348,536	3,115,281,267	2,982,348,536
Interest expenses on liability under minimum payment of agreement for operation		288,008,044	296,211,184	288,008,044	296,211,184
Depreciation charges	14	4,873,552,259	4,578,342,471	4,838,382,490	4,560,124,058
Amortisation of debt issuance costs		166,329,532	274,231,154	166,329,532	274,231,154
Amortisation of intangible assets	15	218,780,220	160,406,630	217,767,669	159,862,096
Amortisation of minimum payment of agreement for operation	15	85,435,224	85,435,224	85,435,224	85,435,224
Realised net gain on exchange rate		(227,560,944)	(60,487,552)	(227,560,944)	(60,487,552)
Realised net loss on exchange rate from repayment borrowings		227,194,152	62,112,201	227,194,152	62,112,201
Unrealised net loss on exchange rate		2,509,464,884	815,178,075	2,509,457,283	815,211,046
Doubtful accounts	20	334,998,943	364,334,193	651,471,792	655,757,758
Loss on diminution in value of finished goods	20	66,015,997	30,194,255	5,141,203	10,173,861
Write-off and loss on disposals of equipment	20	17,399,105	70,301,056	5,162,668	42,113,420
Write-off prepaid withholding tax		34,622	3,996,648	30,009	3,996,648
Changes in operating assets and liabilities					
- trade accounts receivable		4,245,868,547	(5,445,614,977)	4,186,704,605	(5,693,454,909)
- amounts due from related companies		(86,923,347)	(15,898,468)	(56,394,962)	(10,371,186)
- inventories		353,394,886	(334,609,151)	21,434,595	15,950,736
- claimable value added tax		(102,062,983)	(15,353,165)	(79,099,274)	(1,437,303)
- other current assets		17,367,328	(212,232,485)	6,536,790	(197,161,426)
- other non-current assets		(25,025,489)	(2,022,928)	(21,109,924)	(4,778,723)
- trade accounts payable		(3,893,068,800)	5,013,404,160	(3,493,077,742)	4,623,492,116
- other accounts payable		51,497,679	153,883,109	52,515,258	154,799,499
- amounts due to related companies		16,292,199	(863,422)	162,628,291	(62,640,880)
- accrued expenses		409,915,181	684,530,793	478,966,511	695,408,478
- other current liabilities		(77,648,629)	(262,679,464)	(342,100,926)	(264,763,655)
- liability under minimum payment of agreement for operation		(380,000,000)	(350,000,000)	(380,000,000)	(350,000,000)
Cash generated from operations		7,211,756,744	7,221,202,095	7,427,978,707	7,140,082,765
<u>Add</u> Interest received		81,380,826	52,709,579	79,507,975	51,016,494
Withholding income tax refund		167,153,249	-	167,153,249	-
<u>Less</u> Interest paid		(3,129,706,152)	(2,876,269,690)	(3,129,704,927)	(2,876,269,690)
Income tax paid (withholding tax)		(438,901,873)	(185,899,871)	(401,869,637)	(167,151,680)
Net cash flow from operating activities		3,891,682,794	4,211,742,113	4,143,065,367	4,147,677,889

The notes on pages 8 to 42 form integral part of these interim financial statements.

**True Move Company Limited**  
**Statements of Cash Flows (Cont'd)**  
**For the years ended 31 December 2008 and 2007**

	Notes	Consolidated		Company	
		2008 Baht	Restated 2007 Baht	2008 Baht	Restated 2007 Baht
<b>Cash flows from investing activities</b>					
Decrease in restricted cash		73,440	62,861,760	73,440	62,861,760
Purchases of intangible assets	15	(81,201,979)	(77,290,997)	(78,141,193)	(72,730,997)
Purchases of non-network assets		(301,834,814)	(517,431,860)	(193,690,792)	(388,073,706)
Purchases of network equipment		(3,848,936,190)	(4,475,050,976)	(3,848,936,190)	(4,475,050,976)
Proceeds from disposals of equipment		4,489,187	2,269,073	4,456,397	2,269,073
Net cash used in investing activities		(4,227,410,356)	(5,004,643,000)	(4,116,238,338)	(4,870,724,846)
<b>Cash flows from financing activities</b>					
Proceeds from additional share capital	19	1,100,039,290	3,000,014,320	1,100,039,290	3,000,014,320
Proceeds from share call up of subsidiary from minority interest		52	-	-	-
Proceeds from short-term borrowings from related company		500,000	-	-	-
Proceeds from short-term borrowings		-	500,000,000	-	500,000,000
Proceeds from issue of US Dollar notes		-	7,627,500,000	-	7,627,500,000
Payment of short-term borrowings from related company		(500,000)	-	-	-
Payments of short-term borrowings		-	(500,000,000)	-	(500,000,000)
Payment of long-term borrowings		(1,628,387,652)	(8,600,285,263)	(1,628,387,652)	(8,600,285,263)
Payment on issue of US Dollar note		(37,560)	(247,584,451)	(37,560)	(247,584,451)
Net cash (used in) received from financing activities		(528,385,870)	1,779,644,606	(528,385,922)	1,779,644,606
<b>Net (decrease) increase in cash and cash equivalents</b>		(864,113,432)	986,743,719	(501,558,893)	1,056,597,649
Cash and cash equivalents - opening balance		2,572,183,052	1,585,819,849	1,924,756,094	868,538,961
Effect of exchange rate change on cash		73,965	(380,516)	73,965	(380,516)
Cash and cash equivalents - closing balance		1,708,143,585	2,572,183,052	1,423,271,166	1,924,756,094

**Supplementary information for cash flows**

**Non-cash transactions**

Significant non-cash transactions for the years ended 31 December 2008 and 2007 comprise:

	Consolidated		Company	
	2008 Million Baht	2007 Million Baht	2008 Million Baht	2007 Million Baht
Acquisitions of property and equipment which have not been paid	1,422.64	1,307.88	1,393.38	1,281.28

The notes on pages 8 to 42 form integral part of these interim financial statements.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

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**1 General information**

True Move Company Limited (“the Company”) is incorporated and resident in Thailand. The address of the Company’s registered office is as follows:

18 True Tower, Ratchadapisek Road, Huai Khwang District, Bangkok 10310.

The principal business operations of the Group are summarized as follows:

- a) The operations of a 1800 MHz mobile telecommunications business in Thailand under the right to operate and provide services under the digital PCN 1800 system, dated June 20, 1996 as amended on February 23, 2000 and September 8, 2000, granted by CAT Telecom Public Company Limited (“CAT”). The agreement covered a 17-years period from 20 June 1996 to 15 September 2013;
- b) Trading and providing services for telecommunication equipment;
- c) Content provider.

**2 Financial position**

For the year ended 31 December 2008, the Group incurred consolidated net loss of Baht 4,925.38 million. As at 31 December 2008, consolidated current liabilities exceed consolidated current assets by Baht 7,079.93 million. The ultimate parent company and its shareholders entered into the Sponsor Support Agreements (“SSA”) with the secured lenders of True Move pursuant to which they agreed to provide financial support as set forth below:

- 2.1 In the case of regulatory sponsor support to governmental authorities arising out the mobile phone agreement: where True Move experiences cash shortfalls for its normal operations due to regulatory costs as specified in the SSA, the sponsors shall provide financial support for the amount of the shortfall caused by the excess regulatory costs.
- 2.2 In the case of general cash deficiency sponsor support: where the cash flows of True Move are insufficient for its normal operations or debt repayments pursuant to the terms of the financing documents with its lenders, the ultimate parent company and its shareholder will provide financial support to True Move in a total amount not exceeding Baht 10.5 billion.

Under the terms and conditions of the SSA, the ultimate parent company, its shareholder and concerned parties must comply with certain conditions as stipulated in the SSA. The sponsor support funds must be injected into True Move in the form as specified in the SSA in order to support True Move to continue its operations on going basis.

In order to support cash flow of the Company, the shareholder of the ultimate parent company and the ultimate parent company injected sponsor support of Baht 3 billion and Baht 1.1 billion on 13 December 2007 and 9 December 2008, respectively.

**3 Accounting policies**

The principal accounting policies adopted in the preparation of these consolidated and company financial statements are set out below:

**3.1 Basis of preparation**

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act of B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547.

### **3 Accounting policies (Cont'd)**

#### **3.1 Basis of preparation (Cont'd)**

The consolidated and company financial statements have been prepared under the historical cost convention.

The preparation of consolidated and company financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

An English version of the consolidated and company financial statements have been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference interpretation between the two languages, the Thai language statutory financial statements shall prevail.

#### **3.2 New accounting standard and amendments to accounting standards**

During 2007 and 2008, the Federation of Accounting Professions ("FAP") has announced new Thai Accounting Standard and amendments to Thai Accounting Standard ("TAS") as follows:

Revised standards

- TAS 25 "Cash Flow Statements"
- TAS 29 "Leases"
- TAS 31 "Inventories"
- TAS 33 "Borrowing Cost"
- TAS 35 "Presentation of Financial Statements"
- TAS 39 "Accounting Policies, Changes in Accounting Estimates and Errors"
- TAS 41 "Interim Financial Reporting"
- TAS 43 "Business Combination"
- TAS 49 "Construction Contracts"

New standard

- TAS 51 "Intangible Assets"

The amendments to accounting standards and the new accounting standard are effective for the period beginning on or after 1 January 2008 except TAS 29 which is effective for the lease contract started on or after 1 January 2008.

The revised standards and the new standard have been applied in the preparation of the 2008 financial statements as mentioned in Note 4, Note 5 and Note 6.

Thai Accounting Standards that are revised and effective for the period beginning on or after 1 January 2009 and have not early adopted by the Company are as follows:

- TAS 36 "Impairment of Assets"
- TAS 54 "Non-current Assets Held for Sale and Discontinued Operations"

The Company's management has determined that these two TAS do not have a material impact on the financial statements being presented.

**3 Accounting policies (Cont'd)**

**3.3 Investment in subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are reported by using the cost method of accounting. Investments are stated at cost less allowance for impairment.

**3.4 Foreign currency translation**

Items included in the financial statements of each entity in the Group are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statements of income.

Translation differences on investments in debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as investments in equity securities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale investments in equity securities are included in the revaluation reserve in equity.

**3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits with banks but not include deposits which held to maturities and bank overdrafts. In the balance sheet, bank overdrafts are included in short-term borrowings in current liabilities.

**3 Accounting policies (Cont'd)**

**3.6 Trade accounts receivable**

Trade accounts receivable are carried at original invoice amount and subsequent measure at the remaining amount less allowance for doubtful accounts based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statement of income within selling and marketing expenses.

The Group adopted the following policies. Cash cards are purchased from a related party and sold to another related party and other dealers, at their face-value. Cash cards are recorded in inventory at their face-value, which is the estimated fair value of the card. Top-up cards are recorded in inventory at the cost to produce the card. The sale and cost of cash card is reflected net in the statement of income. The related receivables and payables are reflected gross in the balance sheet. The Group receives the commission income from cash card sold.

**3.7 Inventories**

Inventories are stated at the lower of cost and net realisable value, except cash cards are stated at the face value of card. Cost is determined by the moving weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charge, less all attributable discounts, allowances or rebates. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

The Group follows separate accounting policies for their inventory of Cash Cards and Top Up Cards are set out in Note 3.6.

**3.8 Intangible assets**

**3.8.1 Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and will probably generated economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs are recognised as assets are amortised using the straight-line over their useful lives, not exceeding a period of 10 years.

**3.8.2 Right to operate**

Under the Company's agreement for operation the Company must pay annual fees to the grantor based on either fixed percentages of relevant revenues or at the minimum fee amounts stipulated in the agreement whichever is higher. The right to operate represents the present value of the minimum fees payable over the operation period. The right to operate is presented in the consolidated balance sheet as an intangible asset and is amortised using the straight-line method over the operation periods. Amortisation of right to operate is included in "Cost of providing services". The right to operate is not re-valued subsequent to initial recognition but is reviewed annually for impairment.

**3 Accounting policies (Cont'd)**

**3.8.3 Other intangible assets**

Expenditure on acquired license is capitalised and amortised using the straight-line method over their useful life, generally over 5 years. Intangible assets are not revalued.

**3.9 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation, except land which is stated at cost. During 2007, the Group revised estimated useful lives of its property and equipment by engaging external valuer.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, except for land which is considered to have an indefinite live to its residual value over the estimated useful live as follows:

	<u>Years</u>
Building	40
Building improvements	20
Office equipment, furniture and fixtures	8
Power supply and computer equipment	5
Motor vehicles	5
Network equipment	10 - 25
Site preparation cost	15 - 20

Mobile phone network equipment under agreement for operation represents cost of certain equipment and other assets, which have been transferred to the CAT, presented under network equipment. Mobile phone network equipment under agreement for operation is amortised as an expense on the straight-line method over the shorter of estimated useful life of equipment or the remaining operation period.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful live of the related asset. Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts and are included in operating profit.

Borrowing costs to finance the construction of mobile phone network equipment are capitalised as part of cost of the equipment, during the period of time required to complete and prepare the equipment for its intended use. The borrowing costs include:

- interest on short- term and long-term borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year. Where funds are borrowed specifically for the acquisition, construction or production of assets, the amount of borrowing costs eligible for capitalisation on that asset is determined from the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

**3 Accounting policies (Cont'd)**

**3.10 Impairment of assets**

Property, plant and equipment and other non-current assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows. Assets other than goodwill that suffered an impairment are reversed for possible impairment loss of the estimation of the recoverable amounts were changed in subsequent period after the Group's recognition of impairment.

**3.11 Leases - where a Group company is the lessee**

Leases of equipment where the Group assumes substantially all risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period. The equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases of assets where a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentive received from lessor) are charged to the statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination take place.

**3.12 Borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings.

**3.13 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**3.14 Provident fund**

The Group operates a provident fund that is a defined contribution plan, the assets for which are held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the relevant Group companies. The contributions to the provident fund are charged to the statement of income in the year to which the contributions relate.

The Group does not recognise a provision for post employee benefits, payable to employees under the Thai Labour Law.

**3.15 Deferred income taxes**

The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property and equipment, revaluations of derivative contracts and tax losses carried forward.

**3 Accounting policies (Cont'd)**

**3.16 Revenue recognition**

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements.

Revenue from mobile phone services are recognised when services are rendered to customers based on the actual airtime minutes.

The Company sells Top Up Cards which are generic cards that require the customer to periodically add money in order to recharge, and are used by the customer to access services on our network. The Company recognises revenue from the Top Up Cards using the actual airtime minutes corresponding to such cards when used by the customers.

The Group sells Cash Cards, which are non-rechargeable cards with a pre-determined face-value, that allow the customer to access a variety of services providing by the True Group, such as accessing our network, online games, internet, personal communication telephone (PCT). The Group recognises commissions from distributing the Cash Cards to a sister company of True Corporation Public Company Limited. Where a customer accesses our network, the Company recognises revenue using the actual airtime minutes. The sales and costs of Cash Cards is reflected net in the statement of income. The related receivables and payables are reflected gross in the balance sheet.

Revenue from sales of mobile phone handsets and related equipment is recognised upon delivery of the handsets and equipment and customer acceptance.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

**4 Critical accounting estimates, assumption and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a) Estimated impairment of property, plant and equipment and intangible assets**

The Group tests annually whether property, plant and equipment and intangible assets has suffered any impairment, in accordance with accounting policy stated in Note 3.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. The change in the assumption used would impact the recoverable amount.

**b) Allowance for doubtful accounts**

The Group records an allowance for doubtful accounts which is equivalent to the estimated collection losses that may be incurred in the collection of all receivables. The estimated losses are based on historical collection experience combined with a review of all outstanding receivables at the balance sheet date. The allowance for doubtful account might be changed.

**c) Useful life of property, plant and equipment and intangible assets**

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

**4 Critical accounting estimates, assumption and judgments (Cont'd)**

**d) Borrowings**

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The change in the discount rate would impact the fair value of the borrowings.

**5 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, issued new debenture to refinance debts or sell assets to reduce debt.

**6 Changes in accounting policies - Minimum payment of agreement for operation**

The Company changed its accounting policy with respect to the treatment of minimum fees payable under the agreement for operation. The Company as the grantee must pay annual fees to the grantor based on either a fixed percentage of relevant revenues or at the minimum fee amounts stipulated in the agreement whichever is higher. Previously, the Company recognised those minimum payments as an annual expense as incurred. According to the Accounting Framework, TAS 53: Provisions, Contingent Liabilities and Contingent Assets and the effective of TAS 51: Intangible assets, the Company now recognises intangible assets "Right to operate" and liabilities for its obligations to pay minimum fees as financial liabilities at the inception of the operation using the present value of the minimum fees payable over the operation period discounted by MLR at the inception of the operation. These liabilities are presented in "Liability under agreement for operation" in the balance sheet. The interest derived from liabilities being capitalised in liabilities and contrary recognised in the Statement of Income as an interest expense. The right to operate is amortised to the Statement of Income on a straight-line basis over the agreement period. The amortisation charges are included in "Cost of providing services". Right to operate are not re-valued subsequent to initial recognition but are reviewed annually for impairment.

The change in accounting policy has been accounted for retrospectively. The comparative financial statements have been restated to conform with the change in accounting policy.

In connection with the change in accounting policy of subsidiary give rise to the net identifiable assets and liabilities acquired by the Group. The Group revised those identifiable assets and liabilities acquired and made appropriate adjustments retrospectively.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

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**6 Changes in accounting policies - Minimum payment of agreement for operation (Cont'd)**

The effect of the changes in accounting policy and related entries can be summarised as follows:

**Balance sheet**

<b>As at 31 December 2007</b>	<u><b>Consolidated</b></u>	<u><b>Company</b></u>
	<u><b>Baht</b></u>	<u><b>Baht</b></u>
<b>Assets</b>		
Intangible assets, net		
As previously reported	1,027,771,189	1,020,266,219
Prior year adjustments		
- Increase in intangible assets	1,388,322,392	1,388,322,392
- Increase in accumulated amortisation	<u>(897,069,854)</u>	<u>(897,069,854)</u>
As restated (Note 15)	<u><u>1,519,023,727</u></u>	<u><u>1,511,518,757</u></u>
<b>Liabilities</b>		
Current liabilities		
As previously reported	21,949,672,794	19,386,493,247
Prior year adjustments		
- Increase in liability under agreement for operation (Note 18)	<u>91,991,956</u>	<u>91,991,956</u>
As restated	<u><u>22,041,664,750</u></u>	<u><u>19,478,485,203</u></u>
Non-current liabilities		
As previously reported	29,731,802,306	29,731,802,306
Prior year adjustments		
- Increase in liability under agreement for operation (Note 18)	<u>2,560,425,341</u>	<u>2,560,425,341</u>
As restated	<u><u>32,292,227,647</u></u>	<u><u>32,292,227,647</u></u>
<b>Shareholders' equity</b>		
Deficit		
As previously reported	(32,121,425,082)	(32,121,425,082)
Prior year adjustments		
- Increase in deficit brought forward	<u>(2,161,164,759)</u>	<u>(2,161,164,759)</u>
As restated	<u><u>(34,282,589,841)</u></u>	<u><u>(34,282,589,841)</u></u>

**6 Changes in accounting policies - Minimum payment of agreement for operation (Cont'd)**

**Statement of income**

**For the year ended 31 December 2007**

	<b>Consolidated Baht</b>	<b>Company Baht</b>
Cost of providing services		
As previously reported	24,555,509,418	23,973,766,956
Prior year adjustments		
- Amortisation charge	85,435,224	85,435,224
- Cost of revenue sharing	<u>(350,000,000)</u>	<u>(350,000,000)</u>
As restated	<u>24,290,944,642</u>	<u>23,709,202,180</u>
Financial costs, net		
As previously reported	3,880,776,004	3,882,709,625
Prior year adjustments		
- Interest expense	<u>296,211,184</u>	<u>296,211,184</u>
As restated (Note 22)	<u>4,176,987,188</u>	<u>4,178,920,809</u>
Net loss for the period		
As previously reported	(1,575,566,550)	(1,575,566,550)
Prior year adjustments		
- Cost of providing services	264,564,776	264,564,776
- Financial costs	<u>(296,211,184)</u>	<u>(296,211,184)</u>
As restated	<u>(1,607,212,958)</u>	<u>(1,607,212,958)</u>

**7 Financial risk management**

**7.1 Financial risk factors**

The Group's activities expose it to various financial risks. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts and cross currency and interest rate swap contracts to hedge certain exposures.

**7.1.1 Foreign exchange rate risk**

Purchases of property, equipment and network equipment and long-term borrowings are mainly made in foreign currencies, primarily US Dollars and Euros. In order to manage the risk arising from fluctuations in currency exchange rates, the Group makes use of forward foreign exchange contracts and cross currency rate swap contracts. Trading of the forward foreign exchange contracts for speculative purpose is prohibited by the Group's policy.

External foreign exchange contracts are designated at Group level as hedges of foreign exchange rate risk on specific assets, liabilities and future transactions.

**7 Financial risk management (Cont'd)**

**7.1 Financial risk factors (Cont'd)**

**7.1.2 Interest rate risk**

The Group has no significant interest-bearing assets. The Group maintains its certain borrowings in fixed rate instruments. The Group borrows at variable rates and uses interest rate swap as interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with the other parties to exchange, at specified intervals (mainly quarterly and half year), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

**7.1.3 Credit risk**

The Group has no significant concentrations of credit risks. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

Concentrations of credit risk with respect to trade accounts receivable are limited due to the Group's large number of customers, who are end users of telephone services, covering business and individuals, including the spectrum of distribution and retail and have a variety of end markets in which they sell. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade accounts receivable.

**7.1.4 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

**7.2 Accounting for derivative financial instruments and hedging activities**

The Group is party to derivative financial instruments, which mainly comprise foreign currency forward contracts and interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

Foreign currency forward contracts protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled.

Any increase or decrease in the amount required to realise the asset or settle the liability is offset by a corresponding movement in the value of the forward exchange contract. The gains and losses on the derivative instruments and the underlying financial assets or liabilities are therefore offset for financial reporting purposes and are recognised in the financial statements. The cost incurred in establishing each agreement is amortised over the contract period, if any.

Interest rate swap agreements protect the Group from movements in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the statement of income.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 27.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**8 Cash and cash equivalents**

As at 31 December	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Cash on hand	21,265,513	15,663,964	20,349,939	15,428,545
Deposits held at call with banks	1,686,878,072	2,556,519,088	1,402,921,227	1,909,327,549
Total cash and cash equivalents	1,708,143,585	2,572,183,052	1,423,271,166	1,924,756,094

The average effective interest rate on deposits held at call with banks was 2.27% (2007: 2.18%).

**9 Restricted cash**

As at 31 December 2008, saving accounts amounting to Baht 43.58 million (2007: Baht 43.66 million) have been pledged with banks for interest payment on long-term borrowings (Note 17).

**10 Trade accounts receivable, net**

As at 31 December	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Trade accounts receivable				
- related companies (Note 25)	2,283,612,101	3,053,748,478	4,234,964,765	4,954,262,346
- others	2,034,709,034	5,376,703,504	1,940,883,559	5,274,702,830
Unbilled receivables	1,029,708,005	1,250,138,113	1,029,708,005	1,250,138,113
	5,348,029,140	9,680,590,095	7,205,556,329	11,479,103,289
<u>Less</u> Allowance for doubtful accounts	(808,847,317)	(561,177,804)	(2,856,309,768)	(2,292,294,008)
Trade accounts receivable, net	4,539,181,823	9,119,412,291	4,349,246,561	9,186,809,281

**11 Inventories, net**

As at 31 December	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Finished goods	295,564,482	261,359,135	44,481,360	71,057,158
Cash cards	878,883,990	1,334,914,030	-	-
Packaging materials	14,927,982	12,514,172	-	-
Inventories, net	1,189,376,454	1,608,787,337	44,481,360	71,057,158

Finished goods with a value of Baht 295,564,482 (2007: Baht 261,359,135) are carried at net realisable value, this being lower than cost. During 2008, loss of Baht 165,588,481 and Baht 16,019,334 was charged to the consolidated and company statement of income, respective for damage, obsolete and lost inventories.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**12 Other current assets**

As at 31 December	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Prepaid regulatory costs	56,952,023	106,060,360	56,952,023	106,060,360
Prepaid withholding tax	549,767,424	278,053,421	474,987,158	240,300,778
Prepaid expenses	276,115,408	183,544,868	268,577,934	172,453,516
Input tax not yet due	235,669,081	244,795,639	219,268,352	225,844,027
Accounts receivable - others	154,124,960	135,130,981	148,176,052	128,606,779
Forward contract receivable (Note 27)	64,137,267	811,488	64,137,267	811,488
Others	60,165,267	188,774,616	57,984,114	182,375,321
	<u>1,396,931,430</u>	<u>1,137,171,373</u>	<u>1,290,082,900</u>	<u>1,056,452,269</u>

**13 Investments in subsidiaries**

As at 31 December	Company	
	2008 Baht	2007 Baht
Investments in subsidiaries, at cost	999,301	999,301
<u>Less</u> Allowance for impairment	<u>(999,301)</u>	<u>(999,301)</u>
Investments in subsidiaries, net	<u>-</u>	<u>-</u>

Name of subsidiaries	Type of business	Paid-up share capital	Country of incorporation	Percentage of holding
True Distribution and Sales Company Limited	Trading and providing services for telecommunication equipment	Baht 1,000,000	Thailand	99.93%
True Music Company Limited	Content Provider	Baht 50,000	Thailand	99.97%

In March 2007, the company entered into joint venture agreement with a company located in Japan. In this respect, both parties would jointly established a new company named AnyMobile which will be incorporated in Japan. The company obtained 990 ordinary shares of AnyMobile at par value of Yen 10,000 per share, which represented 55% of its equity interest in consideration for providing business linkage opportunities and management skills to AnyMobile with no cash involved in source of fund. AnyMobile engages in international direct dialing telecommunications services. The company has control over the operation of AnyMobile. Therefore it is accounted for as a subsidiary of the Group. According to Share Purchase Agreement dated September 26, 2008 between True Move, Anyuser and AIS (a company incorporated in Japan) whereby True Move disposed the entirely of its shareholding of AnyMobile which is 55% of the total issued and paid-up shares with the price of Yen 0.10 per share.

In December 2007, the company purchased 19,993 ordinary shares of True Music Company Limited (formerly Internet KSC) from MKSC World Dot Com Company Limited at the purchase considerations of 1 Baht, which represented 99.97% of its equity interest in consideration. The company has control over the operations of True Music. Therefore it is accounted for as a subsidiary of the Group.

As at 31 December 2007 and 2008, the investment in True Distribution and Sales Company Limited has been pledged to secure long-term borrowings of the Company (Note 17).

The Company provides for allowance for doubtful accounts for trade accounts receivable-subsiary, as shown in Note 25, for those amounts considered uncollectible. Therefore, the net profit (loss) for the period on the consolidated and company financial statements are identical.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**14 Property, plant and equipment, net**

	Consolidated (Baht)									
	Non-network					Network				Total
	Land	Buildings and building improvements	Office equipment, furniture and fixtures	Power supply and computer equipment	Motor vehicles	Equipment under installation	Site Preparation Cost	Network equipment	Network equipment under construction	
<b>As at 1 January 2007</b>										
Cost	113,057,200	511,520,874	506,948,795	2,327,498,847	20,210,960	452,097,949	16,029,093,321	31,920,514,696	7,641,815,736	59,522,758,378
Less: Accumulated depreciation	-	(232,311,743)	(384,192,774)	(1,634,661,611)	(20,210,953)	-	(5,465,896,617)	(10,319,807,641)	-	(18,057,081,339)
Net book value	113,057,200	279,209,131	122,756,021	692,837,236	7	452,097,949	10,563,196,704	21,600,707,055	7,641,815,736	41,465,677,039
<b>Year ended 31 December 2007</b>										
Opening net book value	113,057,200	279,209,131	122,756,021	692,837,236	7	452,097,949	10,563,196,704	21,600,707,055	7,641,815,736	41,465,677,039
Additions	-	138,615	87,615,193	99,794,212	100,000	204,839,778	-	-	1,519,152,024	1,911,639,822
Disposals	-	(51,789,581)	(972,737)	-	(3)	(19,807,808)	-	-	-	(72,570,129)
Transfers/Adjustments	-	18,344,341	4,362,895	(16,767,184)	-	(192,847,140)	772,176,561	5,072,224,881	(5,692,186,493)	(34,692,139)
Depreciation charge (Note 20)	-	(17,480,050)	(26,793,195)	(299,510,587)	(712)	-	(904,148,145)	(3,330,409,782)	-	(4,578,342,471)
Closing net book value	113,057,200	228,422,456	186,968,177	476,353,677	99,292	444,282,779	10,431,225,120	23,342,522,154	3,468,781,267	38,691,712,122
<b>As at 31 December 2007</b>										
Cost	113,057,200	418,385,000	593,847,900	2,410,525,875	13,771,732	444,282,779	16,130,813,220	37,663,196,240	3,468,781,267	61,256,661,213
Less: Accumulated depreciation	-	(189,962,544)	(406,879,723)	(1,934,172,198)	(13,672,440)	-	(5,699,588,100)	(14,320,674,086)	-	(22,564,949,091)
Net book value	113,057,200	228,422,456	186,968,177	476,353,677	99,292	444,282,779	10,431,225,120	23,342,522,154	3,468,781,267	38,691,712,122
<b>Year ended 31 December 2008</b>										
Opening net book value	113,057,200	228,422,456	186,968,177	476,353,677	99,292	444,282,779	10,431,225,120	23,342,522,154	3,468,781,267	38,691,712,122
Additions	-	795,195	35,575,723	102,788,226	-	148,538,673	-	-	1,363,318,715	1,651,016,532
Disposals	-	(17,059,334)	(1,550,299)	(112,784)	(3)	-	-	-	-	(18,722,420)
Transfers/Adjustments	-	37,185,969	27,358,273	87,252,872	-	(401,202,141)	635,143,780	1,681,935,439	(2,291,204,302)	(223,530,110)
Depreciation charge (Note 20)	-	(24,200,529)	(38,069,940)	(208,151,681)	(20,000)	-	(956,822,075)	(3,646,288,034)	-	(4,873,552,259)
Closing net book value	113,057,200	225,143,757	210,281,934	458,130,310	79,289	191,619,311	10,109,546,825	21,378,169,559	2,540,895,680	35,226,923,865
<b>As at 31 December 2008</b>										
Cost	113,057,200	425,160,105	644,898,312	2,452,764,695	7,963,118	191,619,311	16,765,957,000	39,967,683,726	2,540,895,680	63,109,999,147
Less: Accumulated depreciation	-	(200,016,348)	(434,616,378)	(1,994,634,385)	(7,883,829)	-	(6,656,410,175)	(18,589,514,167)	-	(27,883,075,282)
Net book value	113,057,200	225,143,757	210,281,934	458,130,310	79,289	191,619,311	10,109,546,825	21,378,169,559	2,540,895,680	35,226,923,865

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**14 Property, plant and equipment, net (Cont'd)**

	Company (Baht)									
	Non-network					Network				Total
	Land	Buildings and building improvements	Office equipment, furniture and fixtures	Power supply and computer equipment	Motor vehicles	Equipment under installation	Site Preparation Cost	Network equipment	Network equipment under construction	
<b>As at 1 January 2007</b>										
Cost	113,057,200	439,791,091	430,938,153	2,248,245,085	20,210,960	423,828,774	16,029,093,321	31,920,514,696	7,641,815,736	59,267,495,016
Less Accumulated depreciation	-	(205,190,761)	(338,944,763)	(1,612,677,218)	(20,210,953)	-	(5,465,896,617)	(10,319,807,641)	-	(17,962,727,953)
Net book value	<u>113,057,200</u>	<u>234,600,330</u>	<u>91,993,390</u>	<u>635,567,867</u>	<u>7</u>	<u>423,828,774</u>	<u>10,563,196,704</u>	<u>21,600,707,055</u>	<u>7,641,815,736</u>	<u>41,304,767,063</u>
<b>Year ended 31 December 2007</b>										
Opening net book value	113,057,200	234,600,330	91,993,390	635,567,867	7	423,828,774	10,563,196,704	21,600,707,055	7,641,815,736	41,304,767,063
Additions	-	107,015	64,810,020	80,008,030	-	103,653,054	-	-	1,519,152,024	1,767,730,143
Disposals	-	(43,409,753)	(972,737)	-	(3)	-	-	-	-	(44,382,493)
Transfers/Adjustments	-	-	(1,010,400)	21,276,220	-	(185,477,107)	772,176,561	5,072,224,881	(5,692,186,493)	(12,996,338)
Depreciation charge (Note 20)	-	(14,475,591)	(20,353,952)	(290,736,588)	-	-	(904,148,145)	(3,330,409,782)	-	(4,560,124,058)
Closing net book value	<u>113,057,200</u>	<u>176,822,001</u>	<u>134,466,321</u>	<u>446,115,529</u>	<u>4</u>	<u>342,004,721</u>	<u>10,431,225,120</u>	<u>23,342,522,154</u>	<u>3,468,781,267</u>	<u>38,454,994,317</u>
<b>As at 31 December 2007</b>										
Cost	113,057,200	344,365,046	489,658,791	2,349,529,334	13,671,732	342,004,721	16,130,813,220	37,663,196,240	3,468,781,267	60,915,077,551
Less Accumulated depreciation	-	(167,543,045)	(355,192,470)	(1,903,413,805)	(13,671,728)	-	(5,699,588,100)	(14,320,674,086)	-	(22,460,083,234)
Net book value	<u>113,057,200</u>	<u>176,822,001</u>	<u>134,466,321</u>	<u>446,115,529</u>	<u>4</u>	<u>342,004,721</u>	<u>10,431,225,120</u>	<u>23,342,522,154</u>	<u>3,468,781,267</u>	<u>38,454,994,317</u>
<b>Year ended 31 December 2008</b>										
Opening net book value	113,057,200	176,822,001	134,466,321	446,115,529	4	342,004,721	10,431,225,120	23,342,522,154	3,468,781,267	38,454,994,317
Additions	-	391,595	10,867,667	74,179,309	-	91,457,650	-	-	1,363,318,715	1,540,214,936
Disposals	-	(6,349,575)	(40,955)	(62,661)	(3)	-	-	-	-	(6,453,194)
Transfers/Adjustments	-	4,314,104	1,900,810	87,028,480	-	(342,645,801)	635,143,780	1,681,935,439	(2,291,204,302)	(223,527,490)
Depreciation charge (Note 20)	-	(11,760,362)	(25,002,089)	(198,509,930)	-	-	(956,822,075)	(3,646,288,034)	-	(4,838,382,490)
Closing net book value	<u>113,057,200</u>	<u>163,417,763</u>	<u>122,191,754</u>	<u>408,750,727</u>	<u>1</u>	<u>90,816,570</u>	<u>10,109,546,825</u>	<u>21,378,169,559</u>	<u>2,540,895,680</u>	<u>34,926,846,079</u>
<b>As at 31 December 2008</b>										
Cost	113,057,200	337,451,017	497,508,658	2,371,200,124	7,863,118	90,816,570	16,765,957,000	39,967,683,726	2,540,895,680	62,692,433,093
Less Accumulated depreciation	-	(174,033,254)	(375,316,904)	(1,962,449,397)	(7,863,117)	-	(6,656,410,175)	(18,589,514,167)	-	(27,765,587,014)
Net book value	<u>113,057,200</u>	<u>163,417,763</u>	<u>122,191,754</u>	<u>408,750,727</u>	<u>1</u>	<u>90,816,570</u>	<u>10,109,546,825</u>	<u>21,378,169,559</u>	<u>2,540,895,680</u>	<u>34,926,846,079</u>

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**14 Property, plant and equipment, net (Cont'd)**

Borrowing costs of approximately Baht 59.95 million (2007: Baht 143.27 million) were capitalised as cost of mobile phone network equipment under construction.

Long-term borrowings are secured on certain properties to the value of Baht 115.59 million (2007: Baht 115.67 million) (Note 17).

As at 31 December 2008 the Group's and the company fully depreciated equipment which is presented at cost before accumulated depreciation amount to Baht 1,759.42 million and Baht 1,741.23 million, respectively (2007: Baht 1,584.09 and Baht 1,560.34 million, respectively).

Leased assets included above, where the Group is a lessee under a finance lease, comprise office equipment, furniture and fixtures and motor vehicles, as presented below:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Cost - capitalised finance leases	20,933,758	22,026,615	20,933,758	22,026,615
<u>Less</u> Accumulated depreciation	(18,512,061)	(14,985,261)	(18,512,061)	(14,985,261)
Net book value	<u>2,421,697</u>	<u>7,041,354</u>	<u>2,421,697</u>	<u>7,041,354</u>

Mobile network equipment under the agreement for operation (Note 1) included in network equipment above, for which legal ownership has been transferred to CAT, is carried on the balance sheet date as follows:

	<b>Consolidated and Company Baht</b>
<b>As at 31 December 2007</b>	
Cost	24,255,446,320
<u>Less</u> Accumulated amortisation	<u>(10,807,036,294)</u>
Net book value	<u>13,448,410,026</u>
<b>Year ended 31 December 2008</b>	
Opening net book value	13,448,410,026
Transfers/Adjustments	306,868,869
Amortisation charge (Note 20)	<u>(2,406,713,538)</u>
Closing net book value	<u>11,348,565,357</u>
<b>As at 31 December 2008</b>	
Cost	25,274,473,567
<u>Less</u> Accumulated amortisation	<u>(13,925,908,210)</u>
Net book value	<u>11,348,565,357</u>

According to the agreement, the Company has the right to operate and maintain equipment over the operation period.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**15 Intangible assets, net**

	<b>Consolidated</b>			
	<b>Right to operate Baht</b>	<b>License fee Baht</b>	<b>Computer Software Baht</b>	<b>Total Baht</b>
<b>As at 1 January 2007</b>				
Cost				
- as previously reported	-	450,000	4,552,226,645	4,552,676,645
- prior year adjustments	1,388,322,392	-	-	1,388,322,392
Cost, as restated	1,388,322,392	450,000	4,552,226,645	5,940,999,037
<u>Less</u> Accumulated amortisation				
- as previously reported	-	(37,973)	(3,454,748,188)	(3,454,786,161)
- prior year adjustments	(811,634,630)	-	-	(811,634,630)
As restated	(811,634,630)	(37,973)	(3,454,748,188)	(4,226,420,791)
Net book value, as restated	576,687,762	412,027	1,097,478,457	1,674,578,246
<b>Year ended 31 December 2007</b>				
Opening net book value				
- as previously reported	-	412,027	1,097,478,457	1,097,890,484
- prior year adjustments	576,687,762	-	-	576,687,762
Opening net book value, as restated	576,687,762	412,027	1,097,478,457	1,674,578,246
Additions	-	-	77,290,997	77,290,997
Transfers/Adjustments	-	-	12,996,338	12,996,338
Amortisation charge (Note 20)	(85,435,224)	(90,000)	(160,316,630)	(245,841,854)
Closing net book value	491,252,538	322,027	1,027,449,162	1,519,023,727
<b>As at 31 December 2007</b>				
Cost	1,388,322,392	450,000	4,642,513,980	6,031,286,372
<u>Less</u> Accumulated amortisation	(897,069,854)	(127,973)	(3,615,064,818)	(4,512,262,645)
Net book value	491,252,538	322,027	1,027,449,162	1,519,023,727
<b>Year ended 31 December 2008</b>				
Opening net book value	491,252,538	322,027	1,027,449,162	1,519,023,727
Additions	-	-	81,201,979	81,201,979
Disposals	-	-	(3,165,871)	(3,165,871)
Transfers/Adjustments	-	-	223,527,490	223,527,490
Amortisation charge (Note 20)	(85,435,224)	(90,000)	(218,690,220)	(304,215,444)
Closing net book value	405,817,314	232,027	1,110,322,540	1,516,371,881
<b>As at 31 December 2008</b>				
Cost	1,388,322,392	450,000	4,459,175,675	5,847,948,067
<u>Less</u> Accumulated amortisation	(982,505,078)	(217,973)	(3,348,853,135)	(4,331,576,186)
Net book value	405,817,314	232,027	1,110,322,540	1,516,371,881

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**15 Intangible assets, net (Cont'd)**

	<b>Company</b>			<b>Total Baht</b>
	<b>Right to operate Baht</b>	<b>License fee Baht</b>	<b>Computer Software Baht</b>	
<b>As at 1 January 2007</b>				
Cost				
- as previously reported	-	450,000	4,540,614,472	4,541,064,472
- prior year adjustments	1,388,322,392	-	-	1,388,322,392
Cost, as restated	1,388,322,392	450,000	4,540,614,472	5,929,386,864
<u>Less</u> Accumulated amortisation				
- as previously reported	-	(37,973)	(3,446,625,519)	(3,446,663,492)
- prior year adjustments	(811,634,630)	-	-	(811,634,630)
As restated	(811,634,630)	(37,973)	(3,446,625,519)	(4,258,298,122)
Net book value, as restated	576,687,762	412,027	1,093,988,953	1,671,088,742
<b>Year ended 31 December 2007</b>				
Opening net book value				
- as previously reported	-	412,027	1,093,988,953	1,094,400,980
- prior year adjustments	576,687,762	-	-	576,687,762
Opening net book value, as restated	576,687,762	412,027	1,093,988,953	1,671,088,742
Additions	-	-	72,730,997	72,730,997
Transfers/Adjustments	-	-	12,996,338	12,996,338
Amortisation charge (Note 20)	(85,435,224)	(90,000)	(159,772,096)	(245,297,320)
Closing net book value	491,252,538	322,027	1,019,944,192	1,511,518,757
<b>As at 31 December 2007</b>				
Cost	1,388,322,392	450,000	4,626,341,807	6,015,114,199
<u>Less</u> Accumulated amortisation	(897,069,854)	(127,973)	(3,606,397,615)	(4,503,595,442)
Net book value	491,252,538	322,027	1,019,944,192	1,511,518,757
<b>Year ended 31 December 2008</b>				
Opening net book value	491,252,538	322,027	1,019,944,192	1,511,518,757
Additions	-	-	78,141,193	78,141,193
Disposals	-	-	(3,165,870)	(3,165,870)
Transfers/Adjustments	-	-	223,527,490	223,527,490
Amortisation charge (Note 20)	(85,435,224)	(90,000)	(217,677,669)	(303,202,893)
Closing net book value	405,817,314	232,027	1,100,769,336	1,506,818,677
<b>As at 31 December 2008</b>				
Cost	1,388,322,392	450,000	4,439,942,716	5,828,715,108
<u>Less</u> Accumulated amortisation	(982,505,078)	(217,973)	(3,339,173,380)	(4,321,896,431)
Net book value	405,817,314	232,027	1,100,769,336	1,506,818,677

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**16 Trade accounts and notes payable**

As at 31 December	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
<b>Current</b>				
Trade accounts payable				
- related companies (Note 25)	4,852,882,465	5,353,229,751	2,999,865,837	3,067,849,099
- others	3,234,232,523	8,501,587,982	3,117,254,487	8,417,159,943
Notes payable	253,983,199	876,988,873	253,983,199	876,988,873
Total current	8,341,098,187	14,731,806,606	6,371,103,523	12,361,997,915
<b>Non-current</b>				
Notes payable	359,771,781	89,538,528	359,771,781	89,538,528
Total non-current	359,771,781	89,538,528	359,771,781	89,538,528
Trade account and notes payable	8,700,869,968	14,821,345,134	6,730,875,304	12,451,536,443

The trade accounts payable-others included payables to network construction company who provide supplier credit to the Company. According to the construction agreement, once the supplier's invoices become due those invoices are converted to note payable. The terms of the notes payable are based on the terms of the contract with the vendor.

As at 31 December 2008, note payables are interest free promissory notes denominate in US Dollar of US\$ 8.72 million (2007: US\$ 28.52 million) issued to supplier for payment of network equipment acquired. The first payment will be due on 28 February 2009 and the final maturity date will be due on 11 April 2011.

The present value of notes payable may be analysed as follows:

	Consolidated		Company	
	2008 Baht	2007 Baht	2008 Baht	2007 Baht
Not later than 1 year	253,983,199	876,988,873	253,983,199	876,988,873
Later than 1 year and not later than 2 years	272,042,536	83,402,211	272,042,536	83,402,211
Later than 2 years and not later than 5 years	74,004,168	-	74,004,168	-
	600,029,903	960,391,084	600,029,903	960,391,084

	Consolidated		Company	
	2008 %	2007 %	2008 %	2007 %
Weighted average effective interest rate:				
- Notes payable	3.97	7.36	3.97	7.36

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of short term notes payable approximate their fair values.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**17 Borrowings**

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
<b>Current</b>		
- Banks and financial institutions	1,683,387,036	1,359,537,394
Total current	<u>1,683,387,036</u>	<u>1,359,537,394</u>
<b>Non-current</b>		
- Banks and financial institutions	2,909,771,331	4,431,966,165
- US Dollar notes	23,658,683,532	22,715,219,254
Total non-current	<u>26,568,454,863</u>	<u>27,147,185,419</u>
Total borrowings	<u><u>28,251,841,899</u></u>	<u><u>28,506,722,813</u></u>

**17.1 Borrowings from bank and financial institutions**

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
Current	1,683,387,036	1,359,537,394
Non-current	2,909,771,331	4,431,966,165
Total borrowings	<u><u>4,593,158,367</u></u>	<u><u>5,791,503,559</u></u>

The movements in borrowings are as follows:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book value	5,791,503,559	14,451,947,969
Loan repayment during the year	(1,401,193,500)	(8,538,173,062)
Amortisation of debt issuance costs	77,660,138	206,727,102
Currency translation	125,188,170	(328,998,450)
Closing net book value	<u><u>4,593,158,367</u></u>	<u><u>5,791,503,559</u></u>

On 1 August 2007, the Company issued new unsecured US Dollar notes amounting to US\$ 225 million that is set out in Note 17.2. On 2 August 2007, the Company used all of net proceeds from the issue of US Dollar notes to prepay all of its existing Thai-Baht secured term loan with Thai financial institutions. The Company paid a prepayment fee of Baht 97.04 million to the onshore lender and write off the outstanding deferred cost attributable to debt issuance cost of the repayment borrowings amounting to Baht 89.44 million as other financial costs in the statement of income.

The remaining long-term borrowings at 31 December 2008 represent borrowings granted by offshore financial institutions for working capital and financing of the construction of mobile phone network equipment and other equipment. The borrowings are denominated in both Thai Baht and US Dollars and secured against the investment in subsidiary (Note 13), the majority of the Company's ordinary shares held by its parent company and the investment in fellow subsidiary of its parent company, a guarantee from the subsidiary, mortgaged plots of land and building of the Company (Note 14), a pledge of rights to deposits of the Company (Note 9) its subsidiary and its parent company, other assignments and other conditional assignments of specific securities as specified in the borrowing agreements.

**17 Borrowings (Cont'd)**

**17.1 Borrowings from bank and financial institutions (Cont'd)**

The borrowings carry interest at London Interbank Offer Rate (LIBOR) plus a fixed percentage per annum and the reference rate (THBFIX) plus a fixed percentage per annum. The loan from an offshore financial institution will be due in June 2012. The first repayment of the other long-term borrowings from offshore financial institutions was due in September 2006 and the final maturity date will be 30 June 2011.

Included in long-term borrowings are loans from a related company amounting to Baht 3,585 million (2007: Baht 4,598 million) (Note 25).

Under the terms of the agreements in relation to the long-term borrowings mentioned earlier, the Company and its subsidiary must comply with certain significant conditions at the specific period as identified in the agreements.

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Weighted average effective interest rates:		
- Long-term borrowings	3.56	6.74

The carrying amounts and fair values of borrowings of the Company are as follows:

	<b>Carrying amounts</b>		<b>Fair values</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Current borrowings	1,683,387,036	1,359,537,394	1,683,387,036	1,359,537,394
Non-current borrowings	2,909,771,331	4,431,966,165	2,930,333,142	4,441,840,090

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date.

**17.2 US Dollar notes**

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
Non-current	23,658,683,532	22,715,219,254
Total borrowings	23,658,683,532	22,715,219,254

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**17 Borrowings (Cont'd)**

**17.2 US Dollar notes (Cont'd)**

The movements in borrowings are as follows:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
Opening net book value	22,715,219,254	16,379,750,868
Additional borrowings	-	7,632,517,500
Borrowing costs	-	(273,288,157)
Write-off debt issuance cost	25,666,145	-
Amortisation of debt issuance costs	91,592,133	75,428,543
Currency translation	826,206,000	(1,099,189,500)
Closing net book value	<u>23,658,683,532</u>	<u>22,715,219,254</u>

On 14 December 2006, the Company issued guaranteed US Dollars notes of US\$ 465 million. The notes will mature on 16 December 2013. The notes carry interest at the rate of 10.75% per annum and are payable at semi-annually on 16 June and 16 December each year. The first interest payment on the notes was made on 16 June 2007. The notes rank pari passu with all other existing and future unsecured, unsubordinated indebtedness and are guaranteed by its parent company and other fellow subsidiaries.

On 1 August 2007, the Company issued guaranteed US Dollars notes of US\$ 225 million. The notes will mature on 1 August 2014. The notes carry interest at the rate of 10.375% per annum and are payable at semi-annually on 1 February and 1 August each year. The first interest payment on the notes will be made on 1 February 2008. The notes rank pari passu with all other existing and future unsecured, unsubordinated indebtedness and are guaranteed by its parent company and other fellow subsidiaries. The Company used all of net proceeds of Baht 7,383,142,295 from the issuance of US Dollar notes to repay the onshore borrowings as mentioned in Note 17.1.

Under the terms of the agreements in relation to the notes mentioned above, the Group must comply with certain significant conditions at the specific period as identified in the agreements.

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>
Weighted average effective interest rates:		
- US Dollar debentures issued on 14 December 2006	34.79	10.23
- US Dollar debentures issued on 1 August 2007	33.65	10.40

The carrying amounts and fair values of borrowings of the Company are as follows:

	<b>Carrying amounts</b>		<b>Fair values</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Non-current borrowings	23,658,683,532	22,715,219,254	10,421,592,912	23,327,373,903

**17.3 Credit facilities**

The Group and the Company have the following undrawn committed credit facilities:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>
Expiring beyond one year	66,425,860	422,531,012
	<u>66,425,860</u>	<u>422,531,012</u>

The credit facilities such as bank guarantee, letter of credit and short-term loan have been arranged to use for general operations and activities of the Group and the Company.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**18 Liability under agreement for operation**

Refer to Note 6, detail of liability under agreement for operation can be summarised as follows:

	<b>Consolidated and Company</b>	
	<b>31 December 2008 Baht</b>	<b>Restated 31 December 2007 Baht</b>
Current	315,338,061	91,991,956
Non-current	2,245,087,280	2,560,425,341
	<u>2,560,425,341</u>	<u>2,652,417,297</u>

Movement of liability under agreement for operation can be analysed as follow:

	<b>Consolidated and Company Baht</b>
<b>For the year ended 31 December 2008</b>	
Opening net book value	2,652,417,297
Repayments	(380,000,000)
Interest expense charges	288,008,044
Closing net book value	<u>2,560,425,341</u>

**19 Share capital and premium on share capital**

	<b>Consolidated and Company</b>			<b>Total Baht</b>
	<b>Number of shares</b>	<b>Ordinary shares Baht</b>	<b>Premium on share capital Baht</b>	
As at 31 December 2006	3,060,015,332	30,600,153,320	1,858,400,000	32,458,553,320
Issue of shares	300,001,432	3,000,014,320	-	3,000,014,320
As at 31 December 2007	3,360,016,764	33,600,167,640	1,858,400,000	35,458,567,640
Issue of shares	110,003,929	1,100,039,290	-	1,100,039,290
As at 31 December 2008	<u>3,470,020,693</u>	<u>34,700,206,930</u>	<u>1,858,400,000</u>	<u>36,558,606,930</u>

The total authorised number of ordinary shares is 3,470,020,693 shares (2007: 3,360,016,764 shares) with a par value of Baht 10 per share (2007: Baht 10 per share). All issued shares are fully paid.

In December 2007, the Company issued the share capital 300,001,432 ordinary shares with a par value of Baht 10 per share. The issuance of share was approved by the shareholders at Extraordinary General Meeting No. 3/2006 and subsequently confirmed at the Extraordinary General Shareholders Meeting No. 4/2006. All issued shares were received subscription at par value and registered the increase of share capital with the Ministry of Commerce on 21 December 2007.

During the year 2008, the Company issued 3,929 ordinary shares and 110,000,000 ordinary shares with a par value of Baht 10 per share. The issuance of share was approved by the shareholders at Extraordinary General Meeting No. 3/2006 and subsequently confirmed at the Extraordinary General Shareholders Meeting No. 4/2006. The Company received subscription of all additional shares at par value and registered the increases of share capital with the Ministry of Commerce on 25 February 2008 and on 11 December 2008, respectively.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**20 Expenses by nature**

The following expenditures, classified by nature, have been charged in arriving at loss before financial costs and income tax.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>Restated</b>	<b>2008</b>	<b>Restated</b>
	<b>Baht</b>	<b>2007</b>	<b>Baht</b>	<b>2007</b>
		<b>Baht</b>		<b>Baht</b>
Staff costs	1,714,176,774	1,575,661,950	1,657,660,465	1,531,665,432
Rental expenses	2,997,572,382	3,127,527,137	2,795,088,302	2,964,672,953
Depreciation on property, plant and equipment (Note 14)				
- Owned assets	2,462,941,766	2,587,636,584	2,427,771,997	2,569,418,171
- Leased assets under finance leases	3,896,955	4,287,155	3,896,955	4,287,155
- Mobile phone network equipment under the agreement for operation	2,406,713,538	1,986,418,732	2,406,713,538	1,986,418,732
Amortisation intangible assets (Note 15)	304,215,444	245,841,854	303,202,893	245,297,320
Doubtful accounts	334,998,943	364,334,193	651,471,792	655,757,758
Loss on diminution in value of finished goods	66,015,997	30,194,255	5,141,203	10,173,861
Write-off and loss on disposals of equipment	17,399,105	70,301,056	5,162,668	42,113,420
National interconnection charge	9,018,046,790	8,491,957,208	9,018,046,790	8,491,957,208
Cost of agreement for operation	4,830,852,224	5,450,374,403	4,830,852,224	5,450,374,403
Change in inventories finished goods	568,812,464	717,262,789	377,151,030	472,248,874
Other expenses	6,357,181,892	6,135,541,330	5,426,343,037	5,282,585,987
<b>Total expenses</b>	<b>31,082,824,274</b>	<b>30,787,338,646</b>	<b>29,908,502,894</b>	<b>29,706,971,274</b>

**21 Other expenses**

For the year ended 31 December 2008, other expenses represented penalty paid from the late payment to vendor (2007: other expenses represented penalty and additional payment paid to Customs Department related to import network equipment).

**22 Financial costs**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Net loss on foreign exchange	2,144,663,970	570,196,378	2,144,279,474	570,233,633
Interest income	(67,404,777)	(46,733,024)	(65,745,324)	(44,836,658)
Interest expense	3,403,290,535	3,278,559,720	3,403,289,311	3,278,559,720
Other financial costs	148,109,096	374,964,114	148,109,096	374,964,114
<b>Financial costs</b>	<b>5,628,658,824</b>	<b>4,176,987,188</b>	<b>5,629,932,557</b>	<b>4,178,920,809</b>

As set out in Note 17.1, other financial costs include the prepayment fee for early settlement of old borrowings and the write off of the outstanding debt issuance cost amounting to Baht 97.04 million and Baht 89.44 million, respectively. The remaining other financial costs represented the amortisation of debt issuance costs over the period of the borrowings using the effective interest rate method.

**23 Income tax**

There is no tax amount to be paid as there are accumulated losses carried forward.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**24 Basic loss per share**

Basic loss per share is calculated by dividing the net loss for the year attributable to shareholders by the weighted average number of paid-up ordinary shares in issue during the year.

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>Restated 2007</b>
Net loss attributable to shareholders (Baht)	(4,925,379,580)	(1,607,212,958)
Weighted average number of paid-up ordinary shares in issue (Shares)	3,366,331,578	3,069,056,471
Basic loss per share (Baht)	(1.46)	(0.52)

**25 Related party transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the families of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company is owned by Bangkok Inter Teletech Public Company Limited (“BITCO”), incorporated in Thailand, at 99.91% of the Company’s ordinary shares. The Company and BITCO are controlled by True Corporation Public Company Limited (“TRUE”), which own 77.21% (directly own 74.28% and indirectly owned 2.93%) of BITCO’s total ordinary shares. True is the ultimate holding company.

In the normal course of business, the Group and the Company enter into transactions with shareholders and related companies. The terms and basis of such transactions are carried out on a basis agreed between the parties in the ordinary course of business and according to normal trade conditions.

Significant transactions with shareholders and related companies for the years ended 31 December 2008 and 2007 are summarised as follows:

**i) Sales of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>	<b>Million Baht</b>	<b>Million Baht</b>
Sales of mobile phone handsets and sim cards				
- ultimate parent company	4.21	7.10	-	-
- subsidiary company	-	-	331.98	416.07
- fellow subsidiaries	185.48	201.40	117.69	194.50
- related companies	10.65	13.26	-	-
Sales of cash cards				
- fellow subsidiaries	6.81	-	-	-
- related companies	3,815.85	5,131.67	-	-
Commission				
- fellow subsidiaries	806.65	756.39	8.85	43.34

The sale and cost of cash cards is reflected net in statement of income. The related receivables and payables are reflected gross in balance sheet.

Sales and commission income to related companies were carried out on commercial terms and conditions and at the actual cost plus certain margin, sale of cash cards to a related company was carried out at market prices equal to its face-value.

**25 Related party transactions (Cont'd)**

**ii) Purchases of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>Million</b>	<b>Million</b>	<b>Million</b>	<b>Million</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Purchases of mobile phone handsets and accessories				
- ultimate parent company	12.21	13.04	-	-
- subsidiary company	-	-	279.13	176.14
- fellow subsidiaries	93.03	74.04	-	-
- related companies	181.84	48.93	-	-
Purchases of cash cards				
- fellow subsidiaries	11,499.47	11,157.22	166.84	245.24
Network construction				
- fellow subsidiaries	96.08	285.75	96.08	285.75
Transmission rental expense				
- fellow subsidiaries	1,064.68	1,259.44	1,064.68	1,259.44
Commission expense				
- fellow subsidiaries	817.54	781.48	817.25	781.48
- related companies	197.75	311.74	-	-
Rental and service expense				
- fellow subsidiaries	85.14	79.45	85.14	79.45
- related companies	-	12.00	-	-
Content costs				
- subsidiary company	-	-	59.01	-
- fellow subsidiaries	239.86	411.93	236.82	411.93

Purchases from related companies, network construction, transmission rental expense and commission expense were carried out on commercial terms and conditions and at the actual cost plus margin except rental expense was carried out on market prices and purchase of PCT refilled card which was carried out on market prices deducted with agreed discount. Purchase of cash cards was carried out at market prices equal to its face-value. Content cost was carried out at market price.

**iii) Loans from a related company**

<b>As at 31 December</b>	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Loans from related company		
Current	1,457	1,170
Non-current	2,128	3,428
<b>Total</b>	<b>3,585</b>	<b>4,598</b>

Loans from a related company, KFW who is the preference shareholder of True Corporation, the ultimate parent company, is presented on the balance sheet as part of borrowings (Note 17.1).

**25 Related party transactions (Cont'd)**

**iii) Loans from a related company (Cont'd)**

Movement of loans from a related company can be analysed as follows:

<b>For the year ended 31 December</b>	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Opening net book value	4,598	5,579
Loan repayment during the year	(1,210)	(739)
Amortisation of debt issuance costs	72	87
Currency translation	125	(329)
Closing net book value	<u>3,585</u>	<u>4,598</u>

Loans from related company are the loans denominated in the US Dollars of US\$ 170 million rank pari passu with other secured lenders and carry interest at LIBOR plus a fixed percentage per annum. The loans are secured against the investment in subsidiary, the majority of the Company's ordinary shares held by its parent company and the investment in fellow subsidiary of its parent company, a guarantee from the subsidiary, mortgaged plots of land and building of the Company, a pledge of rights to deposits of the Company and its subsidiary and its parent company, other assignments in relation to this loan. The first repayment was due in September 2006 and the final maturity date will be 30 June 2011.

Under the terms and conditions of the borrowing agreements in relation to loan, the Group must comply with certain significant conditions at the specific period as stipulated in the agreements.

Maturity of loans from related company:

<b>As at 31 December</b>	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Within one year	1,457	1,170
Within 2 and 5 years	2,128	3,428
	<u>3,585</u>	<u>4,598</u>

The related interest expenses were Baht 215.88 million and Baht 365.29 million for the years ended 31 December 2008 and 2007, respectively.

**25 Related party transactions (Cont'd)**

**iv) Outstanding balance arising from sales purchases of goods and services**

As at 31 December	Consolidated		Company	
	2008 Million Baht	2007 Million Baht	2008 Million Baht	2007 Million Baht
<b>Trade accounts receivable</b>				
- ultimate parent company	99.75	17.74	78.07	17.33
- subsidiary company	-	-	2,514.14	3,020.27
- fellow subsidiaries	2,105.97	2,581.60	1,639.49	1,910.01
- related companies	77.89	454.41	3.26	6.65
	<u>2,283.61</u>	<u>3,053.75</u>	<u>4,234.96</u>	<u>4,954.26</u>
<u>Less</u> Allowance for doubtful debt	-	-	(2,057.69)	(1,741.35)
	<u>2,283.61</u>	<u>3,053.75</u>	<u>2,177.27</u>	<u>3,212.91</u>
<b>Amount due from related companies</b>				
- ultimate parent company	3.63	-	3.62	-
- subsidiary company	-	-	-	28.90
- fellow subsidiaries	115.88	32.58	104.22	22.54
	<u>119.51</u>	<u>32.58</u>	<u>107.84</u>	<u>51.44</u>
<b>Trade accounts payable</b>				
- ultimate parent company	51.12	10.43	43.37	4.58
- subsidiary company	-	-	1,049.31	1,044.16
- fellow subsidiaries	4,797.11	5,321.54	1,906.48	2,018.25
- related companies	4.65	21.26	0.70	0.86
	<u>4,852.88</u>	<u>5,353.23</u>	<u>2,999.86</u>	<u>3,067.85</u>
<b>Amount due to related companies</b>				
- ultimate parent company	4.16	-	0.93	-
- subsidiary company	-	-	129.61	13.85
- fellow subsidiaries	149.69	136.15	124.08	73.79
- related companies	4.11	8.46	4.11	8.46
	<u>157.96</u>	<u>144.61</u>	<u>258.73</u>	<u>96.10</u>

Amounts due from and to related companies represent receivables and payables to TRUE, True Visions Public Company Limited and CP Group of companies.

As set out in Note 3.6, trade account receivable related to cash card business approximately Baht 1,925.11 million and Baht 1,180.62 million, respectively (31 December 2007: Baht 2,634.34 million and Baht 1,673.42 million) are included in the consolidated and company financial statements. Trade accounts payable related to cash card business approximately Baht 3,239.51 million and Baht 426.11 million, respectively (31 December 2007: Baht 4,250.33 million and Baht 956.09 million) are included in the consolidated and company financial statements.

**True Move Company Limited**  
**Notes to the Consolidated and Company Financial Statements**  
**For the years ended 31 December 2008 and 2007**

**26 Provident fund**

The Company, its subsidiaries and their employees have jointly registered provident fund schemes under Provident Fund Act B.E. 2530. The provident funds of the Company and the subsidiaries were registered with the Office of the Securities and Exchange Commission on 1 October 2001 and 1 December 2001, respectively.

The provident funds are contributed by the Company, the subsidiaries and the employees at rates between 3% - 7% of their basic salaries on a monthly basis. The provident funds are managed by TISCO Asset Management Company Limited.

**27 Financial instruments**

	<b>Consolidated and Company</b>		
	<b>2008</b>		
	<b>Million Baht</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Cross currency and interest rate swap contract receivable	64.14	320.68	384.82
Total	64.14	320.68	384.82
Forward contracts payable	351.44	-	351.44
Interest swap contracts payable	77.94	113.79	191.73
Cross currency and interest rate swap contract payable	444.96	3,491.45	3,936.41
Total	874.34	3,605.24	4,479.58

  

	<b>Consolidated and Company</b>		
	<b>2007</b>		
	<b>Million Baht</b>		
	<b>Current</b>	<b>Non-current</b>	<b>Total</b>
Forward contracts receivable	0.81	-	0.81
Cross currency and interest rate swap contract receivable	-	387.43	387.43
Total	0.81	387.43	388.24
Forward contracts payable	673.39	-	673.39
Interest swap contracts payable	30.72	89.96	120.68
Cross currency and interest rate swap contract payable	210.19	2,405.12	2,615.31
Total	914.30	2,495.08	3,409.38

**27.1 Forward foreign exchange contracts**

The latest settlement date of open forward foreign exchange contracts will be on 22 October 2009. The amount of the outstanding contracts as at 31 December 2008 and 2007 to be paid are:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Dollar</b>	<b>Million Dollar</b>
US Dollar	82.73	129.97

**27 Financial instruments (Cont'd)**

**27.1 Forward foreign exchange contracts (Cont'd)**

The net fair values of forward foreign exchange contracts at the balance sheet were:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Forward foreign exchange contracts:		
- with positive fair values	-	0.81
- with negative fair values	(351.44)	(673.39)
	<u>(351.44)</u>	<u>(672.58)</u>
Forward foreign exchange contracts:		
- with positive fair values		
- current	-	0.81
Total	<u>-</u>	<u>0.81</u>
- with negative fair values		
- current	(351.44)	(673.39)
Total	<u>(351.44)</u>	<u>(673.39)</u>

**27.2 Interest swap contracts**

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2008 was approximately Baht 324.02 million and the fixed interest rates were ranging from 5% to 7% and the floating rates are LIBOR plus certain margins.

The latest settlement date on interest swap contracts is 30 June 2011.

The net fair values of interest swap contracts instruments at the balance sheet date were:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Interest swap contracts:		
- with negative fair values	(191.73)	(120.68)
	<u>(191.73)</u>	<u>(120.68)</u>

**27 Financial instruments (Cont'd)**

**27.2 Interest swap contracts (Cont'd)**

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Interest swap contracts:		
- with negative fair values		
- current	(77.94)	(30.72)
- non-current	(113.79)	(89.96)
Total	<u>(191.73)</u>	<u>(120.68)</u>

**27.3 Cross currency and interest rate swap contracts**

The principal amount is US\$ 465 million and the fixed exchange rates was ranging from Baht 35.62 to Baht 36.18 per US\$. The fixed interest rates were varying from 8.94% per annum plus some specific interest rate to 10.99% per annum and after 16 December 2008, the specific floating interest rates are applied with some contracts.

The principal amount is US\$ 225 million and the floating interest rate was at 9.60% minus Variable Coupon and the fixed exchange rates was 33.90 Baht per US\$.

The latest settlement date on swap contracts is 1 August 2014.

The net fair values of swap contracts instruments at the balance sheet date were:

	<b>Consolidated and Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>Million Baht</b>	<b>Million Baht</b>
Cross currency and interest rate swap contracts:		
- with positive fair values	384.82	387.43
- with negative fair values	(3,936.41)	(2,615.31)
	<u>(3,551.59)</u>	<u>(2,227.88)</u>
Cross currency and interest rate swap contracts:		
- with positive fair values		
- current	64.14	-
- non-current	320.68	387.43
Total	<u>384.82</u>	<u>387.43</u>
- with negative fair values		
- current	(444.96)	(210.19)
- non-current	(3,491.45)	(2,405.12)
Total	<u>(3,936.41)</u>	<u>(2,615.31)</u>

**28 Bank guarantees**

At 31 December 2008, there are outstanding bank guarantees of Baht 1,368.82 million (2007: Baht 774.48 million) on the consolidated and company basis issued by local banks on behalf of the Group and the Company in the normal course of business.

**29 Dispute over TOT access charge**

On 5 October 2006, the Company issued a letter to TOT requesting it to enter into negotiation regarding the interconnection agreement (“IC”) between its network and TOT’s network. On 17 November 2006, the Company issued a written notification informing TOT and CAT that it will cease payment of access charge under the Access Charge Agreement on the basis that the rate and the collection of access charge under the Access Charge Agreement were contrary to the law in a number of respects. The Company also requested TOT to enter into the interconnection charge agreement to be in compliance with the law or temporarily apply the provisional rate announced by the NTC while negotiations on the interconnection agreement with TOT has not been concluded.

However, on 23 November 2006, TOT issued a letter inform the Company that the Company was not entitled to interconnect its network with the TOT network because the Company was not a telecommunications licensee, as granted by the NTC connecting to its network, and did not have its own telecommunications network. TOT also disputed that the Access Charge Agreement did not violate any law and that the rate and the collection of access charge under the Access Charge Agreement continuously prevail.

Pertaining to the NTC’s announcement regarding the dispute resolution in respect of uses and interconnection of telecommunication network (IC), the Company has brought the dispute to the Dispute Resolution Committee (“DRC”) on 29 June 2007, requested TOT to enter into the contract in relation to interconnection (IC). The DRC considered this and NTC deemed that the Company is entitle to negotiated with TOT regarding the interconnection contract (IC) on 21 November 2007 and 28 November 2007, respectively.

On 16 November 2007, TOT filed a lawsuit against the Company with the Civil Court, claiming violation of the access charges contract (agreement) and requested for access charges payment amounting to Baht 4,508.10 million in associated with related interest and value added tax. The lawsuit is currently in the judicial process of the Civil Court.

If under final court judgment the Company has to pay such access charges, the Company would be liable to accrued additional access charges for the period from 18 November 2006 to 31 December 2006, for the period from 1 January 2007 to 31 December 2007, and for the period from 1 January 2008 to 31 December 2008, and the Company would consequently record additional expenses of Baht 455.61 million, Baht 4,271.69 million, and Baht 4,416.79 million, respectively. Nevertheless, the net effect to the statement of income for this regard, net of revenue sharing to CAT, would be Baht 204.25 million, Baht 3,283.96 million, and Baht 3,339.11 million, respectively. The management and its external lawyer have opined that the Company would not be liable to pay the said access charge.

The ultimate outcomes of the aforementioned cases are presently unable to be determined, and accordingly, no provision for possible liability has been made in the financial statements.

**30 Contracts and commitments**

**30.1 Commitments under the agreement of operation with CAT**

The Company has obtained the right to operate from CAT for the operation of mobile telephone service as mentioned in Note 1. Under the terms of the agreement, the Company has commitments in respect of network equipment and revenue sharing to CAT.

The Company has commitments to acquire, install, manage and maintain all equipment and also committed to transfer to CAT all equipment pertaining to such systems as the installations are completed.

Under the agreement, the company is required to make annual payments to CAT from its revenue equal to the greater of the: (i) Revenue Sharing Percentage; and (ii) specified minimum annual payments, net of certain expenses. The table below summarises the structure of the revenue sharing percentages and the minimum annual amount that the Company is required to pay CAT.

<u>Year</u>	<u>Percentage of Revenues per annum</u>	<u>Minimum Annual Payment (Million Baht)</u>
1 - 4	25%	0 - 16.58
5 - 10	20%	15 - 320
11 - 15	25%	350 - 679
16 - 17	30%	730

In May 2007, the Council of State issued an opinion stated that the cellular telephone services under the agreement to operate with CAT may require the Thai Cabinet's approval, pursuant to the Act on Private Sector Participation in State Undertaking, which CAT did not obtain that would cause the Company subject to less favorable situation. The Group's legal counselor opined that according to the law, the Council of State's opinion is not legally binding the subsidiary. Thus the Company can carry on its business under the agreement to operate.

**30.2 Capital commitments**

The Group and the Company have commitments in respect of the construction and installation of mobile phone networks of Baht 1,863.03 million (2007: Baht 692.93 million).

**30.3 Operating lease commitments**

The Group has entered into lease and related service agreements for office spaces, shops, motor vehicles and base stations. As at 31 December 2008 and 2007, the Group and the Company are committed to pay the following lease commitments:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008 Million Baht</u>	<u>2007 Million Baht</u>	<u>2008 Million Baht</u>	<u>2007 Million Baht</u>
Payment due				
- within 1 year	2,386.31	2,590.56	2,193.20	2,409.87
- within 2 to 5 years	2,168.60	2,913.31	2,058.19	2,691.06
- over 5 years	300.75	396.49	300.75	396.49
Total operating lease commitments	<u>4,855.66</u>	<u>5,900.36</u>	<u>4,552.14</u>	<u>5,497.42</u>

**30 Contracts and commitments (Cont'd)**

**30.4 Pledge and mortgage assets**

Under the terms of borrowings agreements as set out in Note 17.1, the Company's assets have been pledged and as collateral with the contracted parties, i.e., investment in subsidiary (Note 13), the ordinary shares held by its parent company and the investment in fellow subsidiaries of its parent company, a guarantee from the subsidiary, mortgaged plots of land and building of the Company (Note 14), a pledge of rights to deposits of the Company (Note 9) and its subsidiary and its parent company.

**30.5 Interconnection charge**

The Notification of the National Telecommunication Commission ("NTC") in association with Uses and Interconnection of Telecommunication Network B.E. 2549 ("IC Notification") stipulates that telecommunication operators who have telecommunication networks are required to allow other operators to access their networks in compliance with the NTC's procedures specified in the IC Notification. On 17 November 2006 and 16 January 2007, the Company entered into Interconnection Charge Agreements ("IC Agreements") with other two operators.

**30.6 Access charge**

As at 31 December 2008 the Company has contingent liability in respect of access charge as disclosed in Note 29.

**30.7 Litigation and arbitration dispute**

On 23 August 2006, CAT filed a lawsuit against the Company at the Central Administrative Court claiming for space and antenna rental amounting to Baht 12.48 million. On 21 January 2009, the Court dismissed the case and ruled that the subsidiary does not deem to pay such claim to CAT. However, CAT remains the right to appeal within 30 days. The lawsuit is currently in the judicial process of the Central Administrative Court.

On 13 October 2006, CAT filed an arbitration claim against the Company claiming for numbering fee amounting to Baht 113.58 million. Subsequently, on 15 August 2008, the Arbitration ruled in favor of CAT by ordering the Company to pay Baht 99.60 million(excluded interest at 7.5% per annum). The Company acknowledged on 24 August 2008. The Company has filed the protest with the Central Administrative Court. The case is currently under the court process.

On 1 December 2006 the Company was filed a civil case by a group of person claiming damages amounting to Baht 44.37 million. However, on 9 September 2007, most of the cases were withdrawn. There is only one case outstanding, and the amount of damage claimed is Baht 7.00 million. The case is under the court process.

On 9 August 2007, CAT notified four banks who issued the letter of guarantees for the Company claim that the Company was not performed according to the agreement and requested of Baht 370.00 million that the banks have to pay for. These cases are related to the cases that CAT bought to the Arbitration Institute and the cases are still pending at the arbitration panel. On 29 August 2007, the company filed the motions to the Civil Court and Central Administrative Court requested for an injunctive relief to prevent CAT from claiming bank guarantees and to prohibit the four banks to pay for such claims until the arbitration awards are issued. The Courts ruled in favour of the Company. On 27 September 2007, the company has submitted the claim against CAT through the Arbitration Institute and the case is currently under consideration of the Arbitration Office.

On 9 January 2008, CAT filed an arbitration against a Company claimed for shortcomings revenue sharing from the Company including penalties and interest at the total amount of Baht 8,969.08 million. The case is currently under the arbitration process.

**30 Contracts and commitments (Cont'd)**

**30.7 Litigation and arbitration dispute (Cont'd)**

On 19 February 2008, CAT filed an arbitration against a Company claimed for additional revenue sharing amount of Baht 45.95 million. The case is currently under the process of Arbitration.

On 6 August 2008, CAT filed an arbitration against a Company claimed for an access charges which the Company deducted from revenue sharing for the operation period 7<sup>th</sup> - 11<sup>th</sup> year (discount for access charges Baht 22 per number) amounting of Baht 689.84 million. The case is currently under the process of Arbitration.

The ultimate outcome of these cases are presently unable to be determined, accordingly, no provision for possible liability has been made in the consolidated financial statements.

**30.8 Excise tax**

On 28 January 2003, the Ministry of Finance announced the introduction of an excise tax for telecommunication businesses, whereby excise tax is to be collected on revenue from mobile telecommunication service at a rate of 10 percent. This tax can be deducted from the revenue sharing to be paid to CAT and is payable to the Excise Department on monthly basis.

However, on 23 January 2007 the Cabinet passed a resolution approving a proposal to have the Finance Ministry stipulate a zero rate of excise tax for telecommunication services. The change in the applicable excise tax rate has been effective on 27 February 2007.

**31 Post balance sheet event**

These consolidated and company financial statements have been approved for issue by the Company's Directors on 25 February 2009.