

TRUE MOVE COMPANY LIMITED

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

31 DECEMBER 2007

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 2007 and 2006, 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 2007 and 2006, 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 27 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
28 February 2008

True Move Company Limited
Balance sheets
As at 31 December 2007 and 2006

	Notes	Consolidated		Company	
		31 December 2007 Baht	31 December 2006 Baht	31 December 2007 Baht	31 December 2006 Baht
Assets					
Current assets					
Cash and cash equivalents	6	2,572,183,052	1,585,819,849	1,924,756,094	868,538,961
Restricted cash	7	43,658,103	106,519,863	43,658,103	106,519,863
Trade accounts receivable, net (including amount due from related companies)	8	9,119,412,291	4,035,360,605	9,186,809,281	4,145,935,328
Amounts due from related companies	23	32,584,067	16,685,599	51,449,081	41,077,895
Inventories, net	9	1,608,787,337	1,304,372,442	71,057,158	97,181,755
Claimable value added tax		277,786,285	262,433,120	162,790,516	161,353,213
Other current assets	10	859,117,952	798,582,157	816,151,491	770,980,281
Total current assets		14,513,529,087	8,109,773,635	12,256,671,724	6,191,587,296
Non-current assets					
Property, plant and equipment, net	12	38,691,712,122	41,465,677,039	38,454,994,317	41,304,767,063
Intangible assets, net	13	1,027,771,189	1,097,890,484	1,020,266,219	1,094,400,980
Forward contract receivable	25	387,429,978	5,528,451	387,429,978	5,528,451
Other assets		398,175,982	214,249,831	336,075,873	168,142,117
Total non-current assets		40,505,089,271	42,783,345,805	40,198,766,387	42,572,838,611
Total assets		55,018,618,358	50,893,119,440	52,455,438,111	48,764,425,907

Director _____ Director _____

True Move Company Limited
Balance sheets (Cont'd)
As at 31 December 2007 and 2006

	Notes	Consolidated		Company	
		31 December 2007 Baht	31 December 2006 Baht	31 December 2007 Baht	31 December 2006 Baht
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts and notes payable (including amounts due to related companies)	14	14,731,806,606	12,769,361,194	12,361,997,915	10,767,419,435
Other accounts payable		630,877,249	490,904,036	568,840,899	434,911,005
Current portion of liabilities under finance leases	15	-	4,115,929	-	4,115,929
Current portion of long-term borrowings	16	1,359,537,394	1,778,200,627	1,359,537,394	1,778,200,627
Amounts due to related companies	23	144,614,672	139,702,140	96,101,908	160,559,334
Accrued expenses		1,306,403,782	1,159,677,822	1,272,444,101	1,114,840,454
Accrued regulatory cost		2,141,000,601	1,618,397,599	2,141,000,601	1,618,397,599
Unearned service income		327,819,998	890,105,936	327,819,998	890,105,936
Forward contract payable	25	914,299,754	496,493,746	914,299,754	496,493,746
Other current liabilities		393,312,738	92,955,253	344,450,677	46,177,384
Total current liabilities		21,949,672,794	19,439,914,282	19,386,493,247	17,311,221,449
Non-current liabilities					
Notes payable	14	89,538,528	184,399,705	89,538,528	184,399,705
Long-term borrowings	16	27,147,185,419	29,053,498,210	27,147,185,419	29,053,498,210
Forward contract payable	25	2,495,078,359	302,611,755	2,495,078,359	302,611,755
Total non-current liabilities		29,731,802,306	29,540,509,670	29,731,802,306	29,540,509,670
Total liabilities		51,681,475,100	48,980,423,952	49,118,295,553	46,851,731,119
Shareholders' equity					
Share capital					
Authorised share capital	17	33,600,167,640	30,600,153,320	33,600,167,640	30,600,153,320
Issued and paid-up share capital		33,600,167,640	30,600,153,320	33,600,167,640	30,600,153,320
Premium on share capital	17	1,858,400,000	1,858,400,000	1,858,400,000	1,858,400,000
Deficits		(32,121,425,082)	(30,545,858,532)	(32,121,425,082)	(30,545,858,532)
Total parent's shareholders' equity		3,337,142,558	1,912,694,788	3,337,142,558	1,912,694,788
Minority interest		700	700	-	-
Total shareholders' equity		3,337,143,258	1,912,695,488	3,337,142,558	1,912,694,788
Total liabilities and shareholders' equity		55,018,618,358	50,893,119,440	52,455,438,111	48,764,425,907

The accompanying notes on pages 8 to 40 are an integral part of these financial statements.

True Move Company Limited
Statements of income (loss)
For the years ended 31 December 2007 and 2006

	Notes	Consolidated		Company	
		31 December 2007 Baht	31 December 2006 Baht	31 December 2007 Baht	31 December 2006 Baht
Revenues from mobile phone and other services		32,491,899,517	22,308,722,123	31,777,707,913	21,792,411,232
Revenues from product sales		927,962,505	1,350,134,019	611,368,097	896,811,217
Total revenues		33,419,862,022	23,658,856,142	32,389,076,010	22,689,222,449
Cost of providing services		24,555,509,418	17,919,589,967	23,973,766,956	17,471,725,634
Cost of sales		717,262,789	965,071,320	472,248,874	710,262,773
Total costs		25,272,772,207	18,884,661,287	24,446,015,830	18,181,988,407
Gross profit		8,147,089,815	4,774,194,855	7,943,060,180	4,507,234,042
Selling and administrative expenses		5,779,131,215	6,131,400,033	5,525,520,220	5,851,521,033
Operating profit (loss)	18	2,367,958,600	(1,357,205,178)	2,417,539,960	(1,344,286,991)
Other income		116,609,362	362,346,454	68,961,623	351,256,684
Other expenses	19	(179,358,508)	-	(179,358,508)	-
Profit (loss) before financial costs and income tax		2,305,209,454	(994,858,724)	2,307,143,075	(993,030,307)
Financial costs, net	20	(3,880,776,004)	(3,006,303,828)	(3,882,709,625)	(3,008,132,245)
Loss before income tax		(1,575,566,550)	(4,001,162,552)	(1,575,566,550)	(4,001,162,552)
Income tax	21	-	-	-	-
Net loss for the year		(1,575,566,550)	(4,001,162,552)	(1,575,566,550)	(4,001,162,552)
Basic loss per share	22				
Net loss for the year		(0.51)	(1.39)	(0.51)	(1.39)

The accompanying notes on pages 8 to 40 are an integral part of these financial statements.

True Move Company Limited
 Statements of changes in shareholders' equity
 For the years ended 31 December 2007 and 2006

	Consolidated				
	Issued and fully paid-up share capital Baht	Premium on share capital Baht	Deficit Baht	Minority interest Baht	Total Baht
	Opening balance as at				
1 January 2007	30,600,153,320	1,858,400,000	(30,545,858,532)	700	1,912,695,488
Additional shares (Note 17)	3,000,014,320	-	-	-	3,000,014,320
Net loss for the year	-	-	(1,575,566,550)	-	(1,575,566,550)
Closing balance as at					
31 December 2007	<u>33,600,167,640</u>	<u>1,858,400,000</u>	<u>(32,121,425,082)</u>	<u>700</u>	<u>3,337,143,258</u>
Opening balance as at					
1 January 2006	28,100,120,510	1,858,400,000	(26,544,695,980)	700	3,413,825,230
Additional shares (Note 17)	2,500,032,810	-	-	-	2,500,032,810
Net loss for the year	-	-	(4,001,162,552)	-	(4,001,162,552)
Closing balance as at					
31 December 2006	<u>30,600,153,320</u>	<u>1,858,400,000</u>	<u>(30,545,858,532)</u>	<u>700</u>	<u>1,912,695,488</u>

	Company			
	Issued and fully paid-up share capital Baht	Premium on share capital Baht	Deficit Baht	Total Baht
	Opening balance as at			
1 January 2007	30,600,153,320	1,858,400,000	(30,545,858,532)	1,912,694,788
Additional shares (Note 17)	3,000,014,320	-	-	3,000,014,320
Net loss for the year	-	-	(1,575,566,550)	(1,575,566,550)
Closing balance as at				
31 December 2007	<u>33,600,167,640</u>	<u>1,858,400,000</u>	<u>(32,121,425,082)</u>	<u>3,337,142,558</u>
Opening balance as at				
1 January 2006	28,100,120,510	1,858,400,000	(26,544,695,980)	3,413,824,530
Additional shares (Note 17)	2,500,032,810	-	-	2,500,032,810
Net loss for the year	-	-	(4,001,162,552)	(4,001,162,552)
Closing balance as at				
31 December 2006	<u>30,600,153,320</u>	<u>1,858,400,000</u>	<u>(30,545,858,532)</u>	<u>1,912,694,788</u>

The accompanying notes on pages 8 to 40 are an integral part of these financial statements.

True Move Company Limited
Statements of cash flows
For the years ended 31 December 2007 and 2006

	Consolidated		Company	
	31 December 2007 Baht	31 December 2006 Baht	31 December 2007 Baht	31 December 2006 Baht
Cash flows from operating activities				
Net loss for the year	(1,575,566,550)	(4,001,162,552)	(1,575,566,550)	(4,001,162,552)
Adjustments:				
Realised net gain on exchange rate	(109,322,791)	(265,632,692)	(109,322,791)	(265,632,692)
Unrealised net loss on exchange rate	924,140,952	338,034,064	924,173,923	338,131,628
Doubtful accounts	18 364,334,193	234,818,891	655,757,758	307,632,826
Loss on diminution in value of finished goods	18 30,194,255	25,477,344	10,173,861	-
Amortisation of debt issuance costs	274,231,154	446,051,424	274,231,154	446,051,424
Amortisation of intangible assets	13 160,406,630	878,187,976	159,862,096	876,161,639
Depreciation charges	12 4,578,342,471	5,207,427,451	4,560,124,058	5,180,919,865
Write-off and loss on disposals of equipment	18 70,301,056	69,571,994	42,113,420	59,468,452
Gain from forgiveness	23 -	(269,402,655)	-	(269,402,655)
Changes in operating assets and liabilities				
- trade accounts receivable	(5,445,614,977)	(1,454,034,616)	(5,693,454,909)	(1,179,484,957)
- amounts due from related companies	(15,898,468)	(14,742,366)	(10,371,186)	(22,161,329)
- inventories	(334,609,151)	(835,611,419)	15,950,736	(40,644,002)
- claimable value added tax	(15,353,165)	(60,937,847)	(1,437,303)	(57,594,868)
- other current assets	(206,255,930)	(113,623,709)	(190,981,591)	(104,836,238)
- other assets	(183,926,151)	(36,165,782)	(167,933,754)	(28,056,153)
- trade accounts and notes payable	5,013,404,160	3,755,256,157	4,623,492,116	1,999,147,412
- other accounts payable	153,883,109	87,572,724	154,799,499	61,463,607
- amounts due to related companies	(863,422)	(35,062,907)	(62,640,880)	(79,732,906)
- accrued expenses	790,609,639	749,487,360	801,487,324	741,102,804
- other current liabilities	(262,679,464)	(145,013,991)	(264,763,655)	(144,090,033)
Net cash generated from operating activities	<u>4,209,757,550</u>	<u>4,560,494,849</u>	<u>4,145,693,326</u>	<u>3,817,281,272</u>
Cash flows from investing activities				
Decrease in restricted cash	62,861,760	73,850,156	62,861,760	73,850,156
Purchases of intangible assets	(77,290,997)	(53,305,373)	(72,730,997)	(51,698,403)
Purchases of non-network assets	(517,431,860)	(464,291,160)	(388,073,706)	(398,533,624)
Purchases of network equipment	(4,475,050,976)	(4,684,908,997)	(4,475,050,976)	(4,684,908,997)
Proceeds from disposals of equipment	2,269,073	4,230,494	2,269,073	4,214,794
Loan made to parent company	-	(1,000,000)	-	(49,000,000)
Loan received from related company	-	1,000,000	-	49,000,000
Net cash used in investing activities	<u>(5,004,643,000)</u>	<u>(5,124,424,880)</u>	<u>(4,870,724,846)</u>	<u>(5,057,076,074)</u>

The accompanying notes on pages 8 to 40 are an integral part of these financial statements.

True Move Company Limited
Statements of cash flows (Cont'd)
For the years ended 31 December 2007 and 2006

	Notes	Consolidated		Company	
		31 December 2007 Baht	31 December 2006 Baht	31 December 2007 Baht	31 December 2006 Baht
Cash flows from financing activities					
Proceeds from additional share capital	17	3,000,014,320	2,500,032,810	3,000,014,320	2,500,032,810
Proceeds from short-term borrowings		500,000,000	179,000,000	500,000,000	179,000,000
Proceeds from issue of US Dollar note		7,627,500,000	16,237,251,693	7,627,500,000	16,237,251,693
Payment of short-term borrowings		(500,000,000)	(659,000,000)	(500,000,000)	(659,000,000)
Payment of long-term borrowings		(8,600,285,263)	(17,143,572,010)	(8,600,285,263)	(17,143,572,010)
Payment on issue of US Dollar note		(247,584,451)	-	(247,584,451)	-
Net cash received from financing activities		1,779,644,606	1,113,712,493	1,779,644,606	1,113,712,493
Net increase (decrease) in cash and cash equivalents					
		984,759,156	549,782,462	1,054,613,086	(126,082,309)
Cash and cash equivalents - opening balance		1,585,819,849	1,036,468,430	868,538,961	995,052,313
Effect of exchange rate change on cash		1,604,047	(431,043)	1,604,047	(431,043)
Cash and cash equivalents - closing balance		2,572,183,052	1,585,819,849	1,924,756,094	868,538,961

Supplementary information for cash flows

Cash paid during the year

Interest, prepayment fee and withholding tax paid during the years ended 31 December 2007 and 2006 comprise:

	Consolidated		Company	
	31 December 2007 Million Baht	31 December 2006 Million Baht	31 December 2007 Million Baht	31 December 2006 Million Baht
Interest paid	2,876.27	2,610.38	2,876.27	2,610.38
Prepayment fee (Note 16.1)	97.04	186.78	97.04	186.78
Withholding tax paid	185.90	48.33	167.15	41.66

Non-cash transactions

Significant non-cash transactions for the years ended 31 December 2007 and 2006 comprise:

	Consolidated		Company	
	31 December 2007 Million Baht	31 December 2006 Million Baht	31 December 2007 Million Baht	31 December 2006 Million Baht
Acquisitions of property and equipment which have not been paid	1,307.88	7,418.83	1,281.28	7,385.13
Acquisitions of equipment by means of finance leases	-	0.11	-	0.11

The accompanying notes on pages 8 to 40 are an integral part of these financial statements.

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 a concession 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 concession covered a 17-years period from 20 June 1996 to 15 September 2013;
- b) Trading and providing services for telecommunication equipment;
- c) International Direct Dialing telecommunication services; and
- d) Content provider.

As at 31 December 2007, the Company and its subsidiary (“the Group”) employed 2,907 employees (2006: 2,747 employees).

2 Financial position

For the year ended 31 December 2007, the Group incurred consolidated net loss of Baht 1,575.57 million. As at 31 December 2007, consolidated current liabilities exceed consolidated current assets by Baht 7,436.14 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 concession: 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.

On 13 December 2007, the shareholder of the ultimate parent company injected sponsor support amounting to Baht 3,000 million in order to support cash flow of the Company.

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.

Amendments to published standards effective for accounting periods beginning on 1 January 2007 and 2008

The following Thai Accounting Standards ("TAS") have been revised and are mandatory for accounting periods beginning on or after 1 January 2007.

TAS 44 "Consolidated and Separate Financial Statements"
TAS 45 "Investments in Associates"
TAS 46 "Interests in Joint Ventures"

These accounting standards have no impact on the consolidated financial statements. The Company early adopted the revised standard for the Company financial statements for the year ended 31 December 2006 in advance of effective date.

The following Thai Accounting Standards ("TAS") have been revised and are mandatory for accounting periods beginning on or after 1 January 2008. The Group has not early adopted these revised accounting standard before the effective date.

TAS 25 "Cash Flow Statements"
TAS 29 "Leases"
TAS 31 "Inventories"
TAS 33 "Borrowing Costs"
TAS 35 "Presentation of Financial Statements"
TAS 39 "Accounting Policies, Changes in Accounting Estimates and Errors"
TAS 41 "Interim Financial Reporting"
TAS 43 "Business Combinations"
TAS 49 "Construction Contracts"
TAS 51 "Intangible Asset"

The Group will apply these accounting standards for accounting periods beginning on or after 1 January 2008. However, the Group's management has made an assessment and determined that the revised standards will not significantly affect the financial statements presented.

3 Accounting policies (Cont'd)

3.2 Investment in subsidiaries

Subsidiaries are all 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. 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.

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 as negative goodwill.

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. Investment are stated at cost less allowance for impairment.

3.3 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.

3.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and bank overdrafts. In the balance sheet, bank overdrafts are included in short-term borrowings in current liabilities.

3.5 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.

3 Accounting policies (Cont'd)

3.5 Trade accounts receivable (Cont'd)

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.

3.6 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 3.5.

3.7 Intangible assets

3.7.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 10 years.

Costs associated with developing or maintaining computer software programmes 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 programmes 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.

3.7.2 Other intangible assets

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

3 Accounting policies (Cont'd)

3.8 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 reviewed useful lives of its property and equipment and changed the estimated useful lives (Note 4).

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

3.9 Accounting for leases-where the Group 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. Where the Group is committed or intends to purchase the equipment under finance leases, the equipment is depreciated over their estimated useful lives.

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 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

3 Accounting policies (Cont'd)

3.14 Revenue recognition (Cont'd)

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 Changes in accounting estimates

In compliance with the Thai Accounting Standard No. 32, Property, Plant and Equipment, the Group performed a review of the useful lives of its property and equipment since January 2007 by engaging an external international professional consultant. The Group has taken into account key factor that may have an impact to the extension of the asset useful live including technology obsolescence, concession period, well-maintained standard and appropriated controlled environment. The Group changes the estimated useful lives by using prospective adjustments. Sets out below are the comparison of the useful between the old and new useful lives.

Property, plant and equipment

	Old useful life (years)	New useful life (years)
Buildings	10	40
Building improvements	10	20
Office equipment, furniture and fixtures	5	8
Power supply and computer equipments	5	5
Motor vehicles	5	5
Network equipment	8 - 11	10 - 25
Site preparation cost	10	15 - 20

The assets under concession agreement are depreciated over the shorter of their useful lives or the remaining concession period.

Intangible assets

	Old useful live (years)	New useful live (years)
Computer software and other licenses	5	5-10

4 Changes in accounting estimates (Cont'd)

The effects from aforesaid changes were fully reflected in the year ended 31 December 2007. The depreciation and amortisation expenses can be summarised as follows:

	Consolidated		Company	
	Old useful live Baht	New useful live Baht	Old useful live Baht	New useful live Baht
Depreciation and amortisation charge for the year ended 31 December 2007	6,898,218,954	4,738,749,101	6,865,713,366	4,719,986,153

5 Financial risk management

5.1 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.

5.1.1 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.

5.1.2 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.

5 Financial risk management (Cont'd)

5.1 Financial risk factors (Cont'd)

5.1.3 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.

5.1.4 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.

5.2 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 asset or liability are therefore offset for financial reporting purposes and are recognised in the financial statements. The costs 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 25.

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6 Cash and cash equivalents

As at 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Cash on hand	15,663,964	23,909,769	15,428,545	23,600,135
Deposits held at call with banks	2,556,519,088	1,561,910,080	1,909,327,549	844,938,826
Total cash and cash equivalents	<u>2,572,183,052</u>	<u>1,585,819,849</u>	<u>1,924,756,094</u>	<u>868,538,961</u>

The average effective interest rate on deposits held at call with banks was 2.18% (2006: 2.50%).

7 Restricted cash

As at 31 December 2007, saving accounts amounting to Baht 43.66 million (2006: Baht 106.52 million) have been pledged with banks for interest payment on long-term borrowings (Note 16).

8 Trade accounts receivable, net

As at 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Trade accounts receivable				
- related companies (Note 23)	3,053,748,478	3,041,806,836	4,954,262,346	4,725,313,594
- others	5,376,703,504	798,797,786	5,274,702,830	665,834,954
Unbilled receivables	1,250,138,113	415,021,022	1,250,138,113	415,021,022
	<u>9,680,590,095</u>	<u>4,255,625,644</u>	<u>11,479,103,289</u>	<u>5,806,169,570</u>
Less: Allowance for doubtful accounts	(561,177,804)	(220,265,039)	(2,292,294,008)	(1,660,234,242)
Trade accounts receivable, net	<u>9,119,412,291</u>	<u>4,035,360,605</u>	<u>9,186,809,281</u>	<u>4,145,935,328</u>

9 Inventories, net

As at 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Finished goods (at cost)	360,931,619	410,516,172	81,935,289	97,886,026
Cash cards (at cost)	1,334,914,030	944,155,840	-	-
Packaging materials (at cost)	12,514,172	17,488,292	-	-
Spare parts (at cost)	-	2,245,842	-	-
	<u>1,708,359,821</u>	<u>1,374,406,146</u>	<u>81,935,289</u>	<u>97,886,026</u>
Less: Allowance for diminution in value of finished goods	(99,572,484)	(70,033,704)	(10,878,131)	(704,271)
Inventories, net	<u>1,608,787,337</u>	<u>1,304,372,442</u>	<u>71,057,158</u>	<u>97,181,755</u>

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10 Other current assets

As at 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Prepaid regulatory costs	106,060,360	254,560,268	106,060,360	254,560,268
Prepaid expenses	183,544,868	167,774,700	172,453,516	167,719,599
Input tax not yet due	244,795,639	266,518,196	225,844,027	250,122,939
Accounts receivable - others	135,130,981	45,996,218	128,606,779	39,156,396
Forward contract receivable (Note 25)	811,488	578,032	811,488	578,032
Others	188,774,616	63,154,743	182,375,321	58,843,047
	<u>859,117,952</u>	<u>798,582,157</u>	<u>816,151,491</u>	<u>770,980,281</u>

11 Investments in subsidiaries

As at 31 December	Company	
	2007 Baht	2006 Baht
Investments in subsidiaries, at cost	999,301	999,300
Less: Allowance for impairment	(999,301)	(999,300)
Investments in subsidiaries, net	-	-

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%
AnyMobile, Inc.	International Direct Dialing telecommunication service	(Yen) 18,000,000	Japan	55.00%
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 will obtain 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.

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, the investment in True Distribution and Sales Company Limited has been pledged to secure long-term borrowings of the Company (Note 16).

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12 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	
Year ended 31 December 2006										
Opening net book value	113,057,200	393,915,089	174,719,278	824,720,642	1,530,828	338,080,948	8,939,903,249	17,125,051,855	8,010,141,958	35,921,121,047
Additions	-	1,695,000	37,177,192	77,523,503	-	544,540,208	-	-	10,399,494,072	11,060,429,975
Disposals	-	(63,743,968)	(10,045,825)	(12,695)	-	-	-	-	-	(73,802,488)
Transfers/Adjustments	-	4,768,724	9,694,420	189,906,197	-	(430,523,207)	3,115,900,572	7,643,429,544	(10,767,820,294)	(234,644,044)
Depreciation charge (Note 18)	-	(57,425,714)	(88,789,044)	(399,300,411)	(1,530,821)	-	(1,492,607,117)	(3,167,774,344)	-	(5,207,427,451)
Closing net book value	<u>113,057,200</u>	<u>279,209,131</u>	<u>122,756,021</u>	<u>692,837,236</u>	<u>7</u>	<u>452,097,949</u>	<u>10,563,196,704</u>	<u>21,600,707,055</u>	<u>7,641,815,736</u>	<u>41,465,677,039</u>
As at 31 December 2006										
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	<u>113,057,200</u>	<u>279,209,131</u>	<u>122,756,021</u>	<u>692,837,236</u>	<u>7</u>	<u>452,097,949</u>	<u>10,563,196,704</u>	<u>21,600,707,055</u>	<u>7,641,815,736</u>	<u>41,465,677,039</u>
Year ended 31 December 2007										
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 18)	-	(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	<u>113,057,200</u>	<u>228,422,456</u>	<u>186,968,177</u>	<u>476,353,677</u>	<u>99,292</u>	<u>444,282,779</u>	<u>10,431,225,120</u>	<u>23,342,522,154</u>	<u>3,468,781,267</u>	<u>38,691,712,122</u>
As at 31 December 2007										
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	<u>113,057,200</u>	<u>228,422,456</u>	<u>186,968,177</u>	<u>476,353,677</u>	<u>99,292</u>	<u>444,282,779</u>	<u>10,431,225,120</u>	<u>23,342,522,154</u>	<u>3,468,781,267</u>	<u>38,691,712,122</u>

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12 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	
Year ended 31 December 2006										
Opening net book value	113,057,200	339,525,063	144,779,202	813,686,990	1,530,828	314,570,544	8,939,903,249	17,125,051,855	8,010,141,958	35,802,246,889
Additions	-	380,000	28,007,538	67,792,066	-	486,093,653	-	-	10,399,494,072	10,981,767,329
Disposals	-	(55,289,290)	(8,381,261)	(12,695)	-	-	-	-	-	(63,683,246)
Transfers/Adjustments	-	-	3,285,846	147,395,711	-	(376,835,423)	3,115,900,572	7,643,429,544	(10,767,820,294)	(234,644,044)
Depreciation charge (Note 18)	-	(50,015,443)	(75,697,935)	(393,294,205)	(1,530,821)	-	(1,492,607,117)	(3,167,774,344)	-	(5,180,919,865)
Closing 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
As at 31 December 2006										
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	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
Year ended 31 December 2007										
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 (Note 13)	-	-	(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 18)	-	(14,475,591)	(20,353,952)	(290,736,588)	-	-	(904,148,145)	(3,330,409,782)	-	(4,560,124,058)
Closing 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
As at 31 December 2007										
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	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

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12 Property, plant and equipment, net (Cont'd)

Borrowing costs of approximately Baht 143.27 million (2006: Baht 195.85 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 115.67 million (2006 : Baht 115.77 million) (Note 16).

As at 31 December 2007, the Group's and the company fully depreciated equipment which are presented at cost before accumulated depreciation amount to Baht 1,584.09 million and Baht 1,560.34 million, respectively (2006 : Baht 448.58 and Baht 448.46 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:

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Cost - capitalised finance leases	22,026,615	33,266,666	22,026,615	33,266,666
Less: Accumulated depreciation	(14,985,261)	(15,382,460)	(14,985,261)	(15,382,460)
Net book value	<u>7,041,354</u>	<u>17,884,206</u>	<u>7,041,354</u>	<u>17,884,206</u>

Mobile network equipment under the concession agreement (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:

	Consolidated and Company Baht
As at 31 December 2006	
Cost	3,783,874,814
Less: Accumulated amortisation	<u>(1,829,050,253)</u>
Net book value	<u>1,954,824,561</u>
Year ended 31 December 2007	
Opening net book value	1,954,824,561
Transfers	13,480,004,197
Amortisation charge (Note 18)	<u>(1,986,418,732)</u>
Closing net book value	<u>13,448,410,026</u>
As at 31 December 2007	
Cost	24,255,446,320
Less: Accumulated amortisation	<u>(10,807,036,294)</u>
Net book value	<u>13,448,410,026</u>

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

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13 Intangible assets, net

	Consolidated		
	License fee Baht	Computer Software Baht	Total Baht
As at 31 December 2006			
Cost	450,000	4,552,226,645	4,552,676,645
Less: Accumulated amortisation	(37,973)	(3,454,748,188)	(3,454,786,161)
Net book value	<u>412,027</u>	<u>1,097,478,457</u>	<u>1,097,890,484</u>
Year ended 31 December 2007			
Opening net book value	412,027	1,097,478,457	1,097,890,484
Additions	-	77,290,997	77,290,997
Transfers/Adjustments	-	12,996,338	12,996,338
Amortisation charge (Note 18)	(90,000)	(160,316,630)	(160,406,630)
Closing net book value	<u>322,027</u>	<u>1,027,449,162</u>	<u>1,027,771,189</u>
As at 31 December 2007			
Cost	450,000	4,642,513,980	4,642,963,980
Less: Accumulated amortisation	(127,973)	(3,615,064,818)	(3,615,192,791)
Net book value	<u>322,027</u>	<u>1,027,449,162</u>	<u>1,027,771,189</u>
	Company		
	License fee Baht	Computer Software Baht	Total Baht
As at 31 December 2006			
Cost	450,000	4,540,614,472	4,541,064,472
Less: Accumulated amortisation	(37,973)	(3,446,625,519)	(3,446,663,492)
Net book value	<u>412,027</u>	<u>1,093,988,953</u>	<u>1,094,400,980</u>
Year ended 31 December 2007			
Opening net book value	412,027	1,093,988,953	1,094,400,980
Additions	-	72,730,997	72,730,997
Transfers/Adjustments	-	12,996,338	12,996,338
Amortisation charge (Note 18)	(90,000)	(159,772,096)	(159,862,096)
Closing net book value	<u>322,027</u>	<u>1,019,944,192</u>	<u>1,020,266,219</u>
As at 31 December 2007			
Cost	450,000	4,626,341,807	4,626,791,807
Less: Accumulated amortisation	(127,973)	(3,606,397,615)	(3,606,525,588)
Net book value	<u>322,027</u>	<u>1,019,944,192</u>	<u>1,020,266,219</u>

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14 Trade accounts and notes payable

As at 31 December	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Current				
Trade accounts payable				
- related companies (Note 23)	5,353,229,751	4,979,332,483	3,067,849,099	3,094,067,904
- others	8,501,587,982	6,545,097,440	8,417,159,943	6,428,420,260
Notes payable	876,988,873	1,244,931,271	876,988,873	1,244,931,271
Total current	14,731,806,606	12,769,361,194	12,361,997,915	10,767,419,435
Non - current				
Notes payable	89,538,528	184,399,705	89,538,528	184,399,705
Total non-current	89,538,528	184,399,705	89,538,528	184,399,705
Trade account and notes payable	14,821,345,134	12,953,760,899	12,451,536,443	10,951,819,140

The trade accounts payable-others partly represent payables to network construction company who provides 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 2007, note payables are interest free promissory notes denominate in US Dollar of US\$ 28.52 million (2006: US\$ 39.45 million) issued to supplier for payment of network equipment acquired. The first payment will be due on 2 January 2008 and the final maturity date will be due on 28 February 2009.

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

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	2006 Baht
Not later than 1 year	876,988,873	1,244,931,271	876,988,873	1,244,931,271
Later than 1 year and not later than 5 years	83,402,211	170,419,825	83,402,211	170,419,825
	960,391,084	1,415,351,096	960,391,084	1,415,351,096

	Consolidated		Company	
	2007 %	2006 %	2007 %	2006 %
Weighted average effective interest rate:				
- Notes payable	7.36	7.86	7.36	7.86

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.

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15 Liabilities under finance leases

Liabilities under finance leases - minimum lease payments:

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Not later than 1 year	-	4,228,188	-	4,228,188
	-	4,228,188	-	4,228,188
Less: Future finance charges on finance leases	-	(112,259)	-	(112,259)
Present value of finance lease liabilities	-	4,115,929	-	4,115,929
Representing lease liabilities:				
- current	-	4,115,929	-	4,115,929
	-	4,115,929	-	4,115,929

The present value of liabilities under finance leases may be analysed as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Not later than 1 year	-	4,115,929	-	4,115,929
	-	4,115,929	-	4,115,929

	Consolidated		Company	
	2007	2006	2007	2006
	%	%	%	%
Weighted average effective interest rate:				
- liabilities under finance leases	-	8.03	-	8.03

16 Borrowings

	Consolidated and Company	
	2007	2006
	Baht	Baht
Current		
- Banks and financial institutions	1,359,537,394	1,778,200,627
Total current	1,359,537,394	1,778,200,627
Non-current		
- Banks and financial institutions	4,431,966,165	12,673,747,342
- US Dollar notes	22,715,219,254	16,379,750,868
Total non-current	27,147,185,419	29,053,498,210
Total borrowings	28,506,722,813	30,831,698,837

16 Borrowings (Cont'd)

16.1 Borrowings from bank and financial institutions

	Consolidated and Company	
	2007	2006
	Baht	Baht
Current	1,359,537,394	1,778,200,627
Non-current	4,431,966,165	12,673,747,342
Total borrowings	<u>5,791,503,599</u>	<u>14,451,947,969</u>

The movements in borrowings are as follows:

	Consolidated and Company	
	2007	2006
	Baht	Baht
Opening net book value	14,451,947,969	31,929,943,736
Loan repayment during the year	(8,649,120,502)	(17,149,934,648)
Amortisation of debt issuance costs	206,727,102	461,533,971
Currency translation	(218,051,010)	(789,595,090)
Closing net book value	<u>5,791,503,599</u>	<u>14,451,947,969</u>

On 1 August 2007, the Company issued new unsecured US Dollar notes amounting to US\$ 225 million that is set out in Note 16.2. 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 2007 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 11), 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 12), a pledge of rights to deposits of the Company (Note 7) and its subsidiary and its parent company, other assignments and other conditional assignments of specific securities as specified in the borrowing agreements.

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 4,598 million (2006: Baht 5,579 million) (Note 23).

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.

16 Borrowings (Cont'd)

16.1 Borrowings from bank and financial institutions (Cont'd)

	<u>Consolidated and Company</u>	
	<u>2007</u>	<u>2006</u>
	%	%
Weighted average effective interest rates:		
- Long-term borrowings	8.93	9.59

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

	<u>Carrying amounts</u>		<u>Fair values</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	Baht	Baht	Baht	Baht
Current borrowings	1,359,537,394	1,778,200,627	1,320,921,853	2,023,054,164
Non-current borrowings	4,431,966,165	12,673,747,342	4,365,151,349	14,072,793,552

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.

16.2 US Dollar notes

	<u>Consolidated and Company</u>	
	<u>2007</u>	<u>2006</u>
	Baht	Baht
Non-current	22,715,219,254	16,379,750,868
Total borrowings	22,715,219,254	16,379,750,868

The movements in borrowings are as follows:

	<u>Consolidated and Company</u>	
	<u>2007</u>	<u>2006</u>
	Baht	Baht
Opening net book value	16,379,750,868	-
Additional borrowings	7,632,517,500	16,453,234,500
Borrowing costs	(273,288,157)	(470,048,307)
Amortisation of debt issuance costs	75,428,543	2,477,175
Currency translation	(1,099,189,500)	394,087,500
Closing net book value	22,715,219,254	16,379,750,868

16 Borrowings (Cont'd)

16.2 US Dollar notes (Cont'd)

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 16.1.

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.

	Consolidated and Company	
	2007	2006
	%	%
Weighted average effective interest rates:		
- US Dollar debentures issued on 14 December 2006	10.23	10.96
- US Dollar debentures issued on 1 August 2007	10.40	-

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

	Carrying amounts		Fair values	
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Non-current borrowings	22,715,219,254	16,379,750,868	23,327,373,903	16,678,848,780

16.3 Credit facilities

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

	Consolidated and Company	
	2007	2006
	Baht	Baht
Expiring beyond one year	422,531,012	737,446,898
	422,531,012	737,446,898

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.

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17 Share capital and premium on share capital

	Consolidated and Company			Total Baht
	Number of shares	Ordinary shares Baht	Premium on share capital Baht	
As at 31 December 2005	2,810,012,051	28,100,120,510	1,858,400,000	29,958,520,510
Issue of shares	250,003,281	2,500,032,810	-	2,500,032,810
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

The total authorised number of ordinary shares is 3,360,016,764 shares (2006: 3,060,015,332 shares) with a par value of Baht 10 per share (2006: Baht 10 per share). All issued shares are fully paid.

The shareholders at Extraordinary General Shareholders Meeting No. 3/2006 held on 1 September 2006 passed a resolution to approve an increase of authorised share capital 700,000,000 ordinary shares with a par value of Baht 10 per share and subsequently confirmed at the Extraordinary General Shareholders Meeting No. 4/2006. The Company issued 250,003,281 ordinary shares and received subscription of all additional shares at par value and registered the increases of share capital with the Ministry of Commerce on 29 September 2006.

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.

18 Operating results

The following expenditures, classified by nature, have been charged in arriving at operating profit (loss).

	Consolidated		Company	
	2007 Baht	2006 Baht	2007 Baht	Restated 2006 Baht
Staff costs	1,575,661,950	1,494,677,418	1,531,665,432	1,454,496,977
Rental expenses	3,127,527,137	2,891,151,877	2,964,672,953	2,773,682,977
Depreciation on property, plant and equipment (Note 12)				
- Owned assets	2,587,636,584	4,998,074,980	2,569,418,171	4,971,567,394
- Leased assets under finance leases	4,287,155	6,654,333	4,287,155	6,654,333
- Mobile phone network equipment under the concession agreement	1,986,418,732	202,698,138	1,986,418,732	202,698,138
Amortisation intangible assets (Note 13)	160,406,630	878,187,976	159,862,096	876,161,639
Doubtful accounts	364,334,193	234,818,891	655,757,758	307,632,826
Loss on diminution in value of finished goods	30,194,255	25,477,344	10,173,861	-
Write-off and loss on disposals of equipment	70,301,056	69,571,994	42,113,420	59,468,452
Gain from forgiveness (Note 23)	-	(269,402,655)	-	(269,402,655)

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19 Other expenses

Other expenses represent penalty and addition payment paid to Customs Department related to import network equipment.

20 Financial costs, net

	Consolidated		Company	
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Net loss on foreign exchange	570,196,378	99,525,080	570,233,633	99,622,644
Interest income	(46,733,024)	(48,359,851)	(44,836,658)	(46,628,998)
Interest expense	2,982,348,536	2,321,701,461	2,982,348,536	2,321,701,461
Other financial costs	374,964,114	633,437,138	374,964,114	633,437,138
Financial costs, net	<u>3,880,776,004</u>	<u>3,006,303,828</u>	<u>3,882,709,625</u>	<u>3,008,132,245</u>

As set out in Note 16.1, 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.

21 Income tax

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

22 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.

	Consolidated and Company	
	2007	2006
Net loss attributable to shareholders (Baht)	(1,575,566,550)	(4,001,162,552)
Weighted average number of paid-up ordinary shares in issue (shares)	3,069,056,471	2,874,396,458
Basic loss per share (Baht)	(0.51)	(1.39)

23 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 75.26% (directly own 72.07% and indirectly owned 3.19%) 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 2007 and 2006 are summarised as follows:

i) Sales of goods and services

	Consolidated		Company	
	2007	2006	2007	2006
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Sales of mobile phone handsets and sim cards				
- ultimate parent company	7.10	7.50	-	-
- subsidiary company	-	-	416.07	539.20
- fellow subsidiaries	834.81	395.84	194.50	297.50
- related companies	13.33	24.26	-	-
Sales of cash cards				
- related companies	5,131.67	6,329.14	-	-
Commission				
- fellow subsidiaries	756.39	541.83	43.34	27.11

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

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.

23 Related party transactions (Cont'd)

ii) Purchases of goods and services

	Consolidated		Company	
	2007	2006	2007	2006
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Purchases of mobile phone handsets and accessories				
- ultimate parent company	13.04	66.42	-	-
- subsidiary company	-	-	176.14	512.27
- fellow subsidiaries	74.04	167.05	-	-
- related companies	48.93	14.40	-	-
Purchases of cash cards				
- fellow subsidiaries	11,157.22	8,618.80	245.24	270.31
Network construction				
- fellow subsidiaries	285.75	404.43	285.75	404.43
Transmission rental expense				
- fellow subsidiaries	1,259.44	1,039.53	1,259.44	1,039.53
Commission expense				
- fellow subsidiaries	781.48	653.96	781.48	653.96
- related companies	311.74	396.76	-	-
Rental and service expense				
- fellow subsidiaries	79.45	42.34	79.45	42.34
- related companies	12.00	40.44	-	-
Content costs				
- fellow subsidiaries	411.93	160.62	411.93	160.62

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

As at 31 December	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Loans from related company		
Current	1,170	708
Non-current	3,428	4,871
Total	4,598	5,579

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 16.1).

23 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:

For the year ended 31 December	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Opening net book value	5,579	6,663
Loan repayment during the year	(850)	(390)
Amortisation of debt issuance costs	87	95
Currency translation	(218)	(789)
Closing net book value	<u>4,598</u>	<u>5,579</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:

As at 31 December	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Within one year	1,170	708
Within 2 and 5 years	3,428	4,871
	<u>4,598</u>	<u>5,579</u>

The related interest expenses were Baht 365.29 million and Baht 423.14 million for the years ended 31 December 2007 and 2006, respectively.

23 Related party transactions (Cont'd)

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

As at 31 December	Consolidated		Company	
	2007 Million Baht	2006 Million Baht	2007 Million Baht	2006 Million Baht
Trade accounts receivable				
- ultimate parent company	17.74	15.82	17.33	18.32
- subsidiary company	-	-	3,020.27	2,787.39
- fellow subsidiaries	2,581.60	2,404.56	1,910.01	1,886.31
- related companies	454.41	621.43	6.65	33.30
	<u>3,053.75</u>	<u>3,041.81</u>	<u>4,954.26</u>	<u>4,725.32</u>
Amount due from related companies				
- ultimate parent company	-	0.09	-	0.03
- subsidiary company	-	-	28.90	24.59
- fellow subsidiaries	32.58	16.60	22.54	16.45
- related companies	-	-	-	0.01
	<u>32.58</u>	<u>16.69</u>	<u>51.44</u>	<u>41.08</u>
Trade accounts payable				
- ultimate parent company	10.43	65.90	4.58	7.99
- subsidiary company	-	-	1,044.16	1,044.16
- fellow subsidiaries	5,321.54	4,902.77	2,018.25	2,041.36
- related companies	21.26	10.66	0.86	0.56
	<u>5,353.23</u>	<u>4,979.33</u>	<u>3,067.85</u>	<u>3,094.07</u>
Amount due to related companies				
- ultimate parent company	-	0.29	-	0.16
- subsidiary company	-	-	13.85	31.54
- fellow subsidiaries	136.15	119.24	73.79	112.65
- related companies	8.46	20.17	8.46	16.21
	<u>144.61</u>	<u>139.70</u>	<u>96.10</u>	<u>160.56</u>

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

The Company and certain related party companies under France Telecom group entered into the agreement to settle the outstanding obligation. Under the terms of agreement, the Company agreed to pay the settlement price of GBP 554,208.38 as stipulated in the agreement and the certain related parties under France Telecom group agreed to release all outstanding liabilities. Consequently, a gain on repayment of amount due to related companies amounting to Baht 269.40 million was recognized in the statement of income for the year ended 31 December 2006.

As set out in Note 3.5, trade account receivable related to cash card business approximately Baht 2,634.34 million and Baht 1,673.42 million, respectively (31 December 2006: Baht 2,771.88 million and Baht 1,784.68 million) are included in the consolidated and company financial statements. Trade accounts payable related to cash card business approximately Baht 4,250.33 million and Baht 956.09 million, respectively (31 December 2006: Baht 3,683.75 million and Baht 856.45 million) are included in the consolidated and company financial statements.

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24 Provident fund

The Company, its subsidiary and their employees have jointly registered provident fund schemes under Provident Fund Act B.E. 2530. The provident funds of the Company and the subsidiary 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 subsidiary 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.

25 Financial instruments

	Consolidated and Company		
	2007		
	Million Baht		
	Current	Non-current	Total
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
	Consolidated and Company		
	2006		
	Million Baht		
	Current	Non-current	Total
Interest swap contracts receivable	0.39	2.71	3.10
Cross currency and interest rate swap contract receivable	0.19	2.82	3.01
Total	0.58	5.53	6.11
Forward contracts payable	476.31	-	476.31
Interest swap contracts payable	0.73	5.05	5.78
Cross currency and interest rate swap contract payable	19.45	297.56	317.01
Total	496.49	302.61	799.10

25.1 Forward foreign exchange contracts

The latest settlement date of open forward foreign exchange contracts will be on 26 September 2008. The amount of the outstanding contracts as at 31 December 2007 and 2006 to be paid are:

	Consolidated and Company	
	2007	2006
	Million Dollar	Million Dollar
US Dollar	129.97	138.97

25 Financial instruments (Cont'd)

25.1 Forward foreign exchange contracts (Cont'd)

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

	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Forward foreign exchange contracts:		
- with positive fair values	0.81	-
- with negative fair values	(673.39)	(476.31)
	<u>(672.58)</u>	<u>(476.31)</u>
Forward foreign exchange contracts:		
- with positive fair values		
- current	0.81	-
Total	<u>0.81</u>	<u>-</u>
- with negative fair values		
- current	(673.39)	(476.31)
Total	<u>(673.39)</u>	<u>(476.31)</u>

25.2 Interest swap contracts

The notional principal amount of the outstanding interest rate swap contracts at 31 December 2007 was approximately Baht 607.30 million and the fixed interest rates were ranging from 5.00% to 7.00% 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:

	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Interest swap contracts:		
- with positive fair values	-	3.10
- with negative fair values	(120.68)	(5.78)
	<u>(120.68)</u>	<u>(2.68)</u>

25 Financial instruments (Cont'd)

25.2 Interest swap contracts (Cont'd)

	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Interest swap contracts:		
- with positive fair values		
- current	-	0.39
- non-current	-	2.71
Total	-	3.10
- with negative fair values		
- current	(30.72)	(0.73)
- non-current	(89.96)	(5.05)
Total	(120.68)	(5.78)

25.3 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/USD.

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:

	Consolidated and Company	
	2007	2006
	Million Baht	Million Baht
Swap contracts:		
- with positive fair values	387.43	3.01
- with negative fair values	(2,615.31)	(317.01)
	(2,227.88)	(314.00)
Swap contracts:		
- with positive fair values		
- current	-	0.19
- non-current	387.43	2.82
Total	387.43	3.01
- with negative fair values		
- current	(210.19)	(19.45)
- non-current	(2,405.12)	(297.56)
Total	(2,615.31)	(317.01)

26 Bank guarantees

At 31 December 2007, there are outstanding bank guarantees of Baht 774.48 million (2006: Baht 393.29 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.

27 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 and for the period from 1 January 2007 to 31 December 2007, and the Company would consequently record additional expenses of Baht 455.61 million and Baht 4,271.69 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, and Baht 3,283.96 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.

28 Contracts and commitments

28.1 Concession commitment

The Company has obtained a concession from CAT for the operation of mobile telephone service as mentioned in Note 1. Under the terms of the concession 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 concession, 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 concession agreement 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 concession agreement.

28.2 Capital commitments

The Group and the Company have commitments in respect of the construction and installation of mobile phone networks of Baht 692.93 million (2006: Baht 497.89 million).

28.3 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 2007 and 2006, the Group and the Company are committed to pay the following lease commitments:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2007 Million Baht</u>	<u>2006 Million Baht</u>	<u>2007 Million Baht</u>	<u>2006 Million Baht</u>
Payment due				
- within 1 year	2,590.56	2,393.50	2,409.87	2,328.62
- within 2 to 5 years	2,913.31	4,765.11	2,691.06	4,701.38
- over 5 years	396.49	642.49	396.49	642.49
Total operating lease commitments	<u>5,900.36</u>	<u>7,801.10</u>	<u>5,497.42</u>	<u>7,672.49</u>

28 Contracts and commitments (Cont'd)

28.4 Pledge and mortgage assets

Under the terms of borrowings agreements as set out in Note 16.1, the Company's assets have been pledged and as collateral with the contracted parties, i.e., investment in subsidiary (Note 11), 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 12), a pledge of rights to deposits of the Company (Note 7) and its subsidiary and its parent company.

28.5 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.

28.6 Access charge

As at 31 December 2007 the Company has contingent liability in respect of access charge as disclosed in Note 27.

28.7 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. 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 104.58 million. The Company submitted the statement of objection on 13 March 2007. The case is under consideration of arbitral process.

On 1 December 2006 the Company was filed a civil case by a group of person claiming for damage amounting to Baht 44.37 million. However, on 9 September 2007, most of the cases were withdrawn. There is only one case remained and cost 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 cease CAT not to claim for bank guarantees and to prohibit the four banks to pay for. 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 8,503.18 million. The case is currently under the arbitration process.

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.

28 Contracts and commitments (Cont'd)

28.8 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.

29 Post balance sheet event

The consolidated and company financial statements for the year ended 31 December 2007 have been approved for issue by the Company's Directors on 28 February 2008.