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OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

SUPPL

**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**Interim Financial Statements**

**For the period ended September 30, 2005**

**and**

**Review Report of Certified Public Accountant**

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*P. Sindh*





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## REVIEW REPORT OF CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors of  
TT&T Public Company Limited

I have reviewed the accompanying consolidated balance sheet of TT&T Public Company Limited and its subsidiaries as at September 30, 2005, the consolidated statements of income for each of the three-month and nine-month periods ended September 30, 2005 and 2004, and the consolidated statements of changes in shareholders' equity and cash flows for each of the nine-month periods ended September 30, 2005 and 2004. I have also reviewed the balance sheet of TT&T Public Company Limited as at September 30, 2005, the statements of income for each of the three-month and nine-month periods ended September 30, 2005 and 2004, and the statements of changes in shareholders' equity and cash flows for each of the nine-month periods ended September 30, 2005 and 2004. The management of TT&T Public Company Limited is responsible for the correctness and completeness of information presented in these financial statements. My responsibility is to issue a report on these financial statements based on my reviews.

I conducted my reviews in accordance with the auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit in accordance with generally accepted auditing standards. Accordingly, I do not express an audit opinion on the reviewed financial statements.

Based on my reviews, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I draw attention to Note 15.2 to the financial statements. The Company earns income from other value added services, the rates for income sharing of which are being considered by TOT Plc. Furthermore, note 19.7 to the financial statements outline the Company's disputes with TOT Plc. which are ongoing and still to be resolved.

I have previously audited the consolidated financial statements of TT&T Public Company Limited and its subsidiaries for the year ended December 31, 2004, and the financial statements of TT&T Public Company Limited for the same period in accordance with generally accepted auditing standards, and expressed an unqualified opinion on those statements in my report dated February 15, 2005, with emphasis on the impact of the uncertainty of the dispute with TOT Plc. on the matter of income sharing from domestic long-distance telephone service fee and the charges for the TOT's IP network. The consolidated balance sheet and the balance sheet of TT&T Public Company Limited as at December 31, 2004, which have been presented herein for comparative purpose, are components of those financial statements which I have audited and reported thereon. I have not performed any audit procedures subsequent to the date of that report.

(Somboon Supasiripinyo)  
Certified Public Accountant  
Registration No. 3731

KPMG Phoomchai Audit Ltd.  
Bangkok



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT SEPTEMBER 30, 2005 AND DECEMBER 31, 2004**

**ASSETS**

|  | Notes    | In Thousand Baht  |                   |                   |                   |
|--|----------|-------------------|-------------------|-------------------|-------------------|
|  |          | Consolidated      |                   | The Company Only  |                   |
|  |          | September 30,     | December 31,      | September 30,     | December 31,      |
|  |          | 2005              | 2004              | 2005              | 2004              |
|  |          | "Unaudited"       | (Restated)        | "Unaudited"       | (Restated)        |
|  |          | "Reviewed"        | "Audited"         | "Reviewed"        | "Audited"         |
| <b>CURRENT ASSETS</b>  |          |                   |                   |                   |                   |
| Cash on hand and in banks  | 17       | 1,130,885         | 875,505           | 1,090,420         | 578,186           |
| Short-term investments   |          |                   |                   |                   |                   |
| - Fixed deposits   | 17, 19.5 | 55,888            | 205,875           | 51,708            | 201,708           |
| - Short-term investments in promissory notes   | 17       | 1,060,587         | 1,235,000         | 920,500           | 930,000           |
| Trade accounts receivable - net  | 5        | 1,131,652         | 1,147,583         | 1,131,652         | 1,147,583         |
| Receivable from subsidiaries   | 4        | -                 | -                 | 22,156            | 6,121             |
| Accounts receivable - Others<br>(net of allowance for doubtful accounts of<br>approximately Baht 75 million) |          | 113,672           | 88,935            | 20,383            | 24,626            |
| Inventories - net  |          | 390,824           | 444,401           | 386,189           | 440,722           |
| Advance payment for share subscription   | 6        | -                 | -                 | -                 | 400,000           |
| Accrued income from telephone services   |          | 129,143           | 153,506           | 129,143           | 153,506           |
| Accrued income from long distance<br>telephone service   |          | 30,368            | 31,917            | 30,368            | 31,917            |
| Prepaid long distance circuit rental   |          | 54,175            | 48,329            | 54,175            | 48,329            |
| Prepaid expenses   |          | 31,608            | 47,561            | 31,161            | 47,554            |
| Deposits&advance payments to subcontractors  |          | 24,788            | 55,451            | 7,729             | 29,872            |
| Accrued dividend income  | 7        | -                 | -                 | -                 | 205,200           |
| Other current assets   |          | 60,925            | 95,156            | 41,406            | 70,756            |
| <b>Total Current Assets</b>  |          | <b>4,214,515</b>  | <b>4,429,219</b>  | <b>3,916,990</b>  | <b>4,316,080</b>  |
| <b>NON-CURRENT ASSETS</b>  |          |                   |                   |                   |                   |
| Advances for purchase of equipment   |          | 334,641           | 413,803           | 333,346           | 413,803           |
| Investments in subsidiaries - Equity method  | 7        | -                 | -                 | 218,858           | 472,420           |
| Assets not used in operations - net  |          | 49,624            | 50,032            | 49,624            | 50,032            |
| Property, plant and equipment - net  |          | 5,253,418         | 4,922,139         | 5,184,274         | 4,886,124         |
| Cost of telephone service expansion project<br>transferred to TOT Plc. - net                                 | 9        | 28,995,631        | 30,536,732        | 29,110,575        | 30,650,682        |
| Other non-current assets   |          |                   |                   |                   |                   |
| Prepaid withholding income tax   |          | 334,242           | 421,966           | 334,242           | 421,965           |
| Refundable deposits and others - net   |          | 64,752            | 54,555            | 41,212            | 44,548            |
| <b>Total Non-Current Assets</b>  |          | <b>35,032,308</b> | <b>36,399,227</b> | <b>35,272,131</b> | <b>36,939,574</b> |
| <b>TOTAL ASSETS</b>  |          | <b>39,246,823</b> | <b>40,828,446</b> | <b>39,189,121</b> | <b>41,255,654</b> |

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

*P. Sank*  


**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT SEPTEMBER 30, 2005 AND DECEMBER 31, 2004**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

|                                  |  | In Thousand Baht |                   |                   |                   |                   |
|----------------------------------|--|------------------|-------------------|-------------------|-------------------|-------------------|
|                                  |  | Consolidated     |                   | The Company Only  |                   |                   |
|                                  |  | September 30,    | December 31,      | September 30,     | December 31,      |                   |
|                                  |  | 2005             | 2004              | 2005              | 2004              |                   |
|                                  |  | "Unaudited"      | (Restated)        | "Unaudited"       | (Restated)        |                   |
| Notes                            |  | "Reviewed"       | "Audited"         | "Reviewed"        | "Audited"         |                   |
| <b>CURRENT LIABILITIES</b>       |  |                  |                   |                   |                   |                   |
|                                  | Accounts payable - trade   | 4                | 232,717           | 450,692           | 198,330           | 407,318           |
|                                  | Accounts payable - others  | 19               | 298,662           | 192,739           | 296,979           | 191,656           |
|                                  | Current portion of long-term loans   | 11               | 1,860,392         | 1,601,013         | 1,860,392         | 1,601,013         |
|                                  | Payable to subsidiary companies  | 4                | -                 | -                 | 33,007            | 516,367           |
|                                  | Accrued long distance circuit rental expenses  |                  | 103,938           | 95,970            | 103,938           | 95,970            |
|                                  | Accrued conduit rental expenses  |                  | 9,138             | -                 | 9,138             | -                 |
|                                  | Accrued interest expense   |                  | 38,842            | 2,565             | 38,842            | 2,565             |
|                                  | Accrued expenses   |                  | 158,067           | 251,077           | 139,055           | 227,919           |
|                                  | Advance revenue from data communication network  |                  | 41,987            | 46,250            | 41,987            | 46,250            |
|                                  | Provision for payables to PEA  | 8                | -                 | -                 | -                 | -                 |
|                                  | Other current liabilities  |                  | 144,677           | 112,170           | 109,050           | 90,626            |
|                                  | <b>Total Current Liabilities</b>   |                  | <u>2,888,420</u>  | <u>2,752,476</u>  | <u>2,830,718</u>  | <u>3,179,684</u>  |
| <b>NON - CURRENT LIABILITIES</b> |  |                  |                   |                   |                   |                   |
|                                  | Long-term loans - net of portion presented in current liabilities                              | 11               | 21,829,199        | 22,603,495        | 21,829,199        | 22,603,495        |
|                                  | <b>Total Non-Current Liabilities</b>   |                  | <u>21,829,199</u> | <u>22,603,495</u> | <u>21,829,199</u> | <u>22,603,495</u> |
|                                  | <b>Total Liabilities</b>   |                  | <u>24,717,619</u> | <u>25,355,971</u> | <u>24,659,917</u> | <u>25,783,179</u> |
| <b>SHAREHOLDERS' EQUITY</b>      |  |                  |                   |                   |                   |                   |
|                                  | Authorized Share Capital :   |                  |                   |                   |                   |                   |
|                                  | 7,000,000,000 common shares, Baht 10 par value   |                  | <u>70,000,000</u> | <u>70,000,000</u> | <u>70,000,000</u> | <u>70,000,000</u> |
|                                  | Issued and paid-up share capital :   |                  |                   |                   |                   |                   |
|                                  | 3,169,638,955 and 3,124,404,703 common shares in 2005 and 2004 respectively, Baht 10 per share | 14               | 31,696,389        | 31,244,047        | 31,696,389        | 31,244,047        |
|                                  | Premium on share capital   |                  | 9,360,300         | 9,360,300         | 9,360,300         | 9,360,300         |
|                                  | Discount on share capital  |                  | (8,881,396)       | (8,881,253)       | (8,881,396)       | (8,881,253)       |
|                                  | Retained earnings (Deficit)  |                  |                   |                   |                   |                   |
|                                  | - Appropriated to legal reserve  |                  | 63,358            | 63,358            | 63,358            | 63,358            |
|                                  | - Deficit  |                  | (17,709,447)      | (16,313,977)      | (17,709,447)      | (16,313,977)      |
|                                  | <b>Total Shareholders' Equity</b>  |                  | <u>14,529,204</u> | <u>15,472,475</u> | <u>14,529,204</u> | <u>15,472,475</u> |
|                                  | <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                  | <u>39,246,823</u> | <u>40,828,446</u> | <u>39,189,121</u> | <u>41,255,654</u> |

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

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*Signature*



## STATEMENTS OF INCOME

"REVIEWED"

FOR EACH OF THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

|  | Notes | In Thousand Baht |                    |                  |                    |
|--|-------|------------------|--------------------|------------------|--------------------|
|  |       | Consolidated     |                    | The Company Only |                    |
|  |       | 2005             | 2004<br>(Restated) | 2005             | 2004<br>(Restated) |
| <b>REVENUES</b>  |       |                  |                    |                  |                    |
| Income from Telephone Services   |       |                  |                    |                  |                    |
| Expansion and Joint - Investment Agreement                               |       | 1,418,642        | 1,520,322          | 1,384,202        | 1,508,609          |
| Sales and service income   |       | 125,266          | 106,625            | 66,870           | 76,646             |
| Share of profit (loss) from investments recorded by<br>the equity method |       | -                | -                  | (5,137)          | 8,196              |
| Interest income  |       | 6,156            | 2,814              | 5,513            | 2,595              |
| Other income   | 4     | 27,588           | 20,771             | 38,905           | 25,918             |
| <b>Total Revenues</b>  |       | <u>1,577,652</u> | <u>1,650,532</u>   | <u>1,490,353</u> | <u>1,621,964</u>   |
| <b>EXPENSES</b>  |       |                  |                    |                  |                    |
| Costs of sales and services  |       | 116,843          | 75,787             | 41,181           | 40,933             |
| Operating, administrative and general expenses                           | 4     | 745,070          | 604,807            | 740,856          | 613,770            |
| Foreign exchange (gain) loss - net                                       |       | (89,277)         | 202,278            | (89,277)         | 202,278            |
| Depreciation and amortization  |       | 864,201          | 746,510            | 865,721          | 748,197            |
| Directors' remuneration  |       | 2,253            | 2,516              | 2,253            | 2,516              |
| Other expenses   |       | 6,260            | 151                | 6,260            | 151                |
| <b>Total Expenses</b>  |       | <u>1,645,350</u> | <u>1,632,049</u>   | <u>1,566,994</u> | <u>1,607,845</u>   |
| <b>Profit (Loss) before Interest Expense<br/>and Income Tax</b>          |       | (67,698)         | 18,483             | (76,641)         | 14,119             |
| <b>Interest Expense</b>  |       | (340,042)        | (325,599)          | (340,042)        | (325,599)          |
| <b>Income Tax</b>  |       | (8,943)          | (4,364)            | -                | -                  |
| <b>NET LOSS</b>  |       | <u>(416,683)</u> | <u>(311,480)</u>   | <u>(416,683)</u> | <u>(311,480)</u>   |
| <b>Basic Loss per Share (Baht)</b>                                       | 16    | <u>(0.13)</u>    | <u>(0.11)</u>      | <u>(0.13)</u>    | <u>(0.11)</u>      |

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

*P. Siul*  
*Samoltri v.*



|   | Notes | In Thousand Baht   |                    |                    |                    |
|---|-------|--------------------|--------------------|--------------------|--------------------|
|   |       | Consolidated       |                    | The Company Only   |                    |
|   |       | 2005               | 2004<br>(Restated) | 2005               | 2004<br>(Restated) |
| <b>REVENUES</b>   |       |                    |                    |                    |                    |
| Income from Telephone Services                                    |       |                    |                    |                    |                    |
| Expansion Joint - Investment Agreement                            |       | 4,481,002          | 4,680,264          | 4,406,112          | 4,641,323          |
| Sales and service income  |       | 336,628            | 400,895            | 220,884            | 308,243            |
| Share of profit from investments recorded by<br>the equity method |       | -                  | -                  | 3,445              | 21,313             |
| Interest income   |       | 18,009             | 10,836             | 15,435             | 10,052             |
| Other income  | 4     | 95,738             | 86,638             | 120,941            | 101,197            |
| <b>Total Revenues</b>   |       | <u>4,931,377</u>   | <u>5,178,633</u>   | <u>4,766,817</u>   | <u>5,082,128</u>   |
| <b>EXPENSES</b>   |       |                    |                    |                    |                    |
| Costs of sales and services                                       |       | 275,438            | 280,196            | 120,701            | 176,656            |
| Operating, administrative and general expenses                    | 4     | 2,000,354          | 1,831,565          | 1,998,939          | 1,845,225          |
| Loss on exchange rate - net                                       |       | 562,467            | 668,617            | 561,778            | 668,617            |
| Depreciation and amortization                                     |       | 2,483,980          | 2,203,874          | 2,489,135          | 2,208,927          |
| Directors' remuneration   |       | 6,754              | 7,709              | 6,754              | 7,709              |
| Other expenses  |       | 6,296              | 353                | 6,296              | 353                |
| <b>Total Expenses</b>   |       | <u>5,335,289</u>   | <u>4,992,314</u>   | <u>5,183,603</u>   | <u>4,907,487</u>   |
| <b>Profit (Loss) before Interest Expense<br/>and Income Tax</b>   |       | (403,912)          | 186,319            | (416,786)          | 174,641            |
| <b>Interest Expense</b>   |       | (978,684)          | (952,624)          | (978,684)          | (952,624)          |
| <b>Income Tax</b>   |       | (12,874)           | (11,678)           | -                  | -                  |
| <b>NET LOSS</b>   |       | <u>(1,395,470)</u> | <u>(777,983)</u>   | <u>(1,395,470)</u> | <u>(777,983)</u>   |
| <b>Basic Loss per Share (Baht)</b>                                | 16    | <u>(0.44)</u>      | <u>(0.27)</u>      | <u>(0.44)</u>      | <u>(0.27)</u>      |

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

*Sam O'vi*



TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 FOR EACH OF THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

"UNAUDITED"  
 "REVIEWED"

|   |       | In Thousand Baht                 |                          |                           |                             |                     |                   |
|---|-------|----------------------------------|--------------------------|---------------------------|-----------------------------|---------------------|-------------------|
|   |       | Consolidated                     |                          |                           |                             |                     |                   |
|   | Notes | Issued and paid-up share capital | Premium on share capital | Discount on share capital | Retained earnings (Deficit) |                     | Total             |
|   |       |                                  |                          |                           | Appropriated                | Unappropriated      |                   |
| <b>Balance as at January 1, 2004 - as previously reported</b>   |       | 28,494,973                       | 9,360,300                | (8,881,161)               | 63,358                      | (16,324,706)        | 12,712,764        |
| Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Plc. | 9     | -                                | -                        | -                         | -                           | 215,469             | 215,469           |
| Restated balance  |       | 28,494,973                       | 9,360,300                | (8,881,161)               | 63,358                      | (16,109,237)        | 12,928,233        |
| Net loss (after adjustment)   | 9     | -                                | -                        | -                         | -                           | (777,983)           | (777,983)         |
| Common shares   |       | 465,180                          | -                        | (92)                      | -                           | -                   | 465,088           |
| <b>Balance as at September 30, 2004</b>   |       | <u>28,960,153</u>                | <u>9,360,300</u>         | <u>(8,881,253)</u>        | <u>63,358</u>               | <u>(16,887,220)</u> | <u>12,615,338</u> |
| <b>Balance as at January 1, 2005 - as previously reported</b>   |       | 31,244,047                       | 9,360,300                | (8,881,253)               | 63,358                      | (16,557,440)        | 15,229,012        |
| Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Plc. | 9     | -                                | -                        | -                         | -                           | 243,463             | 243,463           |
| Restated balance  |       | 31,244,047                       | 9,360,300                | (8,881,253)               | 63,358                      | (16,313,977)        | 15,472,475        |
| Net loss  |       | -                                | -                        | -                         | -                           | (1,395,470)         | (1,395,470)       |
| Common shares   | 14    | 452,342                          | -                        | (143)                     | -                           | -                   | 452,199           |
| <b>Balance as at September 30, 2005</b>   |       | <u>31,696,389</u>                | <u>9,360,300</u>         | <u>(8,881,396)</u>        | <u>63,358</u>               | <u>(17,709,447)</u> | <u>14,529,204</u> |

|   |       | In Thousand Baht                 |                          |                           |                             |                     |                   |
|---|-------|----------------------------------|--------------------------|---------------------------|-----------------------------|---------------------|-------------------|
|   |       | The Company Only                 |                          |                           |                             |                     |                   |
|   | Notes | Issued and paid-up share capital | Premium on share capital | Discount on share capital | Retained earnings (Deficit) |                     | Total             |
|   |       |                                  |                          |                           | Appropriated                | Unappropriated      |                   |
| <b>Balance as at January 1, 2004 - as previously reported</b>   |       | 28,494,973                       | 9,360,300                | (8,881,161)               | 63,358                      | (16,324,706)        | 12,712,764        |
| Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Plc. | 9     | -                                | -                        | -                         | -                           | 215,469             | 215,469           |
| Restated balance  |       | 28,494,973                       | 9,360,300                | (8,881,161)               | 63,358                      | (16,109,237)        | 12,928,233        |
| Net loss (after adjustment)   |       | -                                | -                        | -                         | -                           | (777,983)           | (777,983)         |
| Common shares   | 9     | 465,180                          | -                        | (92)                      | -                           | -                   | 465,088           |
| <b>Balance as at September 30, 2004</b>   |       | <u>28,960,153</u>                | <u>9,360,300</u>         | <u>(8,881,253)</u>        | <u>63,358</u>               | <u>(16,887,220)</u> | <u>12,615,338</u> |
| <b>Balance as at January 1, 2005 - as previously reported</b>   |       | 31,244,047                       | 9,360,300                | (8,881,253)               | 63,358                      | (16,557,440)        | 15,229,012        |
| Adjustment of the amortization of cost of telephone service expansion project transferred to TOT Plc. | 9     | -                                | -                        | -                         | -                           | 243,463             | 243,463           |
| Restated balance  |       | 31,244,047                       | 9,360,300                | (8,881,253)               | 63,358                      | (16,313,977)        | 15,472,475        |
| Net loss  |       | -                                | -                        | -                         | -                           | (1,395,470)         | (1,395,470)       |
| Common shares   | 14    | 452,342                          | -                        | (143)                     | -                           | -                   | 452,199           |
| <b>Balance as at September 30, 2005</b>   |       | <u>31,696,389</u>                | <u>9,360,300</u>         | <u>(8,881,396)</u>        | <u>63,358</u>               | <u>(17,709,447)</u> | <u>14,529,204</u> |

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

*P. Sivil*  


## STATEMENTS OF CASH FLOWS

"REVIEWED"

FOR EACH OF THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

|  | In Thousand Baht |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
|  | Consolidated     |                  | The Company Only |                  |
|  | 2005             | 2004             | 2005             | 2004             |
|  | (Restated)       |                  | (Restated)       |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                  |                  |                  |                  |
| Net loss   | (1,395,470)      | (777,983)        | (1,395,470)      | (777,983)        |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities   |                  |                  |                  |                  |
| Depreciation and amortization  | 2,499,765        | 2,215,403        | 2,489,135        | 2,208,926        |
| Interest capitalized as loan   | 198,178          | 91,992           | 198,178          | 91,992           |
| Provision for loss of VAT refundable   | 3,912            | -                | 3,912            | -                |
| Provision for doubtful accounts  | 61,340           | 19,550           | 57,689           | 18,268           |
| Loss on exchange rates   | 558,729          | 669,778          | 558,729          | 669,778          |
| Equity in net income of subsidiaries   | -                | -                | (3,445)          | (21,313)         |
| Gain on disposal of fixed assets   | (6,153)          | (6,621)          | (3,725)          | (4,864)          |
| <b>Profit from Operating Activities before Changes in Operating Assets and Liabilities</b> | <b>1,920,301</b> | <b>2,212,119</b> | <b>1,905,003</b> | <b>2,184,804</b> |
| <b>Decrease (increase) in operating assets</b>   |                  |                  |                  |                  |
| Trade accounts receivable  | (41,758)         | 359,006          | (41,758)         | 360,288          |
| Receivable from subsidiaries   | -                | -                | (16,035)         | (291)            |
| Accounts receivable - Others   | (24,737)         | (6,076)          | 4,242            | 432              |
| Inventories  | (107,626)        | (77,930)         | (106,671)        | (88,601)         |
| Prepaid income tax and withholding tax   | 87,724           | 63,273           | 87,723           | 63,273           |
| Refundable value added tax   | (85)             | (2,877)          | (85)             | (141)            |
| Other current assets   | 97,261           | (72,448)         | 87,953           | (89,932)         |
| <b>Increase (decrease) in operating liabilities</b>  |                  |                  |                  |                  |
| Accounts payable - trade   | (216,269)        | (152,726)        | (207,281)        | (173,322)        |
| Accounts payable - others  | 105,922          | 67,675           | 105,323          | 74,439           |
| Income tax payable   | (441)            | 558              | -                | -                |
| Accounts payable - subsidiaries  | -                | -                | (483,360)        | 43,743           |
| Accrued long-distance circuit rental expense   | 7,968            | 26,581           | 7,968            | 26,581           |
| Accrued conduit rental expense   | 9,138            | 9,001            | 9,138            | 9,001            |
| Accrued interest expense   | 36,277           | 35,202           | 36,277           | 35,202           |
| Other current liabilities  | (64,324)         | 32,897           | (74,704)         | 39,797           |
| <b>Net Cash Provided by Operating Activities</b>   | <b>1,809,351</b> | <b>2,494,255</b> | <b>1,313,733</b> | <b>2,485,273</b> |

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



## TT&amp;T PUBLIC COMPANY LIMITED AND SUBSIDIARIES

"UNAUDITED"

## STATEMENTS OF CASH FLOWS (Continued)

"REVIEWED"

FOR EACH OF THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2004

|  | In Thousand Baht   |                    |                  |                    |
|--|--------------------|--------------------|------------------|--------------------|
|  | Consolidated       |                    | The Company Only |                    |
|  | 2005               | 2004               | 2005             | 2004               |
|  | (Restated)         |                    | (Restated)       |                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                    |                    |                  |                    |
| Decrease (increase) in short-term investments                  | (265,600)          | (609,139)          | (220,500)        | (600,000)          |
| Proceeds from return of advance payment for share subscription | -                  | -                  | 400,000          | -                  |
| Proceeds from dividend of subsidiaries                         | -                  | -                  | 362,545          | -                  |
| Proceeds from profit return from subsidiary                    | -                  | -                  | 142,161          | -                  |
| Cash paid for investments in subsidiaries                      | -                  | -                  | (42,500)         | -                  |
| Proceeds from disposal of fixed assets                         | 10,044             | 8,010              | 6,951            | 6,127              |
| Increase in property, plant and equipment                      | (780,799)          | (754,604)          | (736,375)        | (733,602)          |
| Advance for purchase of equipment                              | (151,028)          | (328,255)          | (149,733)        | (328,255)          |
| Increase in investment in telephone services expansion project | (121,234)          | (119,418)          | (122,228)        | (121,176)          |
| Decrease (increase) in deposits and others                     | (14,023)           | 1,812              | (489)            | 485                |
| <b>Net Cash Used in Investing Activities</b>                   | <b>(1,322,640)</b> | <b>(1,801,594)</b> | <b>(360,168)</b> | <b>(1,776,421)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                    |                    |                  |                    |
| Repayment of long-term loans                                   | (821,465)          | (1,189,313)        | (821,465)        | (1,189,313)        |
| Proceeds from share capital                                    | 134                | 87                 | 134              | 87                 |
| <b>Net Cash Used in Financing Activities</b>                   | <b>(821,331)</b>   | <b>(1,189,226)</b> | <b>(821,331)</b> | <b>(1,189,226)</b> |
| <b>NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS</b>    | <b>(334,620)</b>   | <b>(496,565)</b>   | <b>132,234</b>   | <b>(480,374)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>        | <b>2,160,505</b>   | <b>2,793,198</b>   | <b>1,558,186</b> | <b>2,674,968</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>              | <b>1,825,885</b>   | <b>2,296,633</b>   | <b>1,690,420</b> | <b>2,194,594</b>   |

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

## 1. Cash payments during the periods:

|                  |         |         |         |         |
|------------------|---------|---------|---------|---------|
| Interest expense | 744,228 | 825,430 | 744,229 | 825,430 |
| Income tax       | 147,482 | 163,114 | 132,001 | 152,005 |

## 2. Cash and cash equivalents consist of:

|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| Cash on hand and in banks                                | 1,130,885        | 2,016,633        | 1,090,420        | 1,924,594        |
| Short-term investments with maturity due within 3 months | 695,000          | 280,000          | 600,000          | 270,000          |
|  | <u>1,825,885</u> | <u>2,296,633</u> | <u>1,690,420</u> | <u>2,194,594</u> |

3. For the nine-month periods ended September 30, 2005 and 2004, the Tranche C warrant holders had exercised their rights by converting Tranche C loans amounting to approximately Baht 452 million and Baht 465 million, respectively, to share capital.

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



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

**1. BASIS OF INTERIM FINANCIAL STATEMENT PREPARATION AND PRINCIPLES OF CONSOLIDATION**

The interim financial statements are prepared in Thai Baht, in the Thai language, and in conformity with generally accepted accounting standards in Thailand. Accordingly the interim financial statements are intended solely to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in Thailand.

The interim financial statements have been prepared to provide an update on the financial statements for the year ended December 31, 2004. They focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2004.

Other than those specified in notes to the annual and interim financial statements, all other balances presented in these interim financial statements are prepared under the historical cost basis.

For the convenience of the readers, an English language translation of the interim financial statements has been prepared from the Thai language interim financial statements which are issued for domestic reporting purposes.

The consolidated interim financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group"). Details of the Company's subsidiaries are as follows:

|                                    | Business Type  | Country of Registration | Percentage of Holding |                   |
|------------------------------------|--|-------------------------|-----------------------|-------------------|
|                                    |  |                         | September 30, 2005    | December 31, 2004 |
| <b>Subsidiaries</b>                |  |                         |                       |                   |
| TT&T Subscriber Services Co., Ltd. | Installation of dropwire and sale of telephone equipment and installation to the subscribers and internet service                          | Thailand                | 99.993                | 99.993            |
| TT&T Value Added Service Co., Ltd. | Public telephone in provincial area<br>- Directly held<br>- Indirectly held  | Thailand                | -                     | 66.666            |
|                                    |  |                         | -                     | 33.333            |
|                                    |  |                         | -                     | <u>99.999</u>     |
| Triple T Broadband Co., Ltd.       | Telecommunication service, fixed line and mobile telephone service, data communication network and internet services.                      | Thailand                | 99.993                | -                 |
| Triple T Telecom Co., Ltd.         | Telecommunication service, fixed line and mobile telephone service, data communication network and internet services.<br>- Indirectly held | Thailand                | 99.993                | -                 |
|                                    |  |                         |                       |                   |



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

Significant intra-group transactions between the Company and its subsidiaries are eliminated on consolidation.

Pursuant to the Extraordinary General Meetings of Shareholders No. 1/2002 dated March 13, 2002, and No. 2/2002 dated March 29, 2002, TT&T Value Added Service Company Limited has commenced the liquidation process and registered this with the Ministry of Commerce on March 29, 2002. TT&T Value Added Service Company Limited has completed the liquidation as approved by the Extraordinary General Meeting of Shareholders No. 2/2005 dated July 26, 2005.

The auditor of TT&T Subscriber Services Co., Ltd. had qualified her review report on the financial statements as at September 30, 2005, in respect of lack of the detail of internet service receivable and advance received from internet services, which had balance in the financial statements as at September 30, 2005 amount of Baht 15 million and Baht 7 million, which was being prepared but not yet finalized.

## **2. RESULT OF OPERATIONS**

Following agreement on debt restructuring with financial creditors and major creditors in 2001, the management believe that the Company will be able to comply with the conditions of the related debt restructuring agreements. Also, the Company has taken certain measures such as increasing telephone services income as well as value added service income, especially on data communication and internet related services, by concentration on a marketing strategy in order to increase subscribed lines, especially for the business sector and reducing operating expenses. Nevertheless, the economic situation is uncertain and may have an effect on the Company's success in future operations and ability to generate sufficient cash flows from operations to meet the conditions of the debt restructuring agreements. The ultimate outcome of this matter cannot presently be determined. The financial statements reflect management's current assessments of the impact to date of the economic situation on the financial position of the Company. Actual results could differ from the management's current assessments and such differences could be material.

### **Events which may effect Concession Conversion**

In 2003, the government announced its policy regarding the Joint - Undertaking Concession Conversion and its priority in order to arrive at an urgent conclusion. According to the 2003 plan of the Ministry of Information Technology and Communication, a summary of the overall guidelines regarding the Joint - Undertaking Concession Conversion was made, such as revenue sharing, compensation details, assets network and the tax payment standard for various services.

In October 2004, the National Telecommunication Commission (NTC) was established and started their role by supervising the telecommunication operators to comply with the Telecommunication Act.

In August 2005, various rules and regulations were announced, e.g. the Telecommunication Business Master Plan 2005-2007, the basis and procedures in the issue of various telecommunication licenses, for instance. On August 25, 2005, the NTC had issued licenses to TT&T Public Company Limited and TT&T Subscriber Services Company Limited, for providing Pattern 1 internet services.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements are prepared in accordance with generally accepted accounting standards in Thailand. The significant accounting policies used to prepare the interim financial statements for the three-month and nine-month periods ended September 30, 2005 and 2004 are similar to those that have been applied to the financial statements for the year ended December 31, 2004.



#### **4. TRANSACTIONS WITH RELATED PARTIES**

Related parties are those parties linked to companies in the Group by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or at contractually agreed prices where no market prices exist.

The Company entered into purchase and installation equipment agreements under the Telephone Services Expansion Project for 1.5 million numbers with various related companies. Under the terms of the agreements, the related companies will supply and install the equipment in the system including providing extra services relating to the investment project of 1.5 million numbers. The prices are determined through a bidding process and will be used as reference prices in the next pricing. As at September 30, 2005 and December 31, 2004, the Company had commitments for payment for equipment under the aforesaid agreements in the amounts of approximately Baht 90 million and Baht 274 million respectively

On December 1, 2004, a subsidiary entered into a contract for the supply of the Customer Care and Billing System (CC&B) and the related contracts for the End User Software License Agreement with a consortium between Siam Teltech Computer Company Limited, a shareholder, and Convergys Information Management Group, Inc. in the amount of USD 26,000,000, and the Support and Maintenance Agreement in the amount of USD 3,145,000 per year. The Company entered into a novation agreement for the CC&B Procurement Contract with a subsidiary effective on April 1, 2005. The Company had commitment for payment of those equipment and services under the terms and conditions stipulated in the contracts. (Please see Note 6 for developments on this matter.)

The Company entered into car and equipment leasing contracts with a subsidiary company to provide the fault complaint reception and dropwire maintenance services. The rental fee is Baht 7.4 million per month.

The Company entered into service and consultancy service agreements with a subsidiary company. The Company will provide technical assistance and financial,-legal and marketing consultancy services to such related companies. Under the terms of the agreement, the Company will receive a service fee of Baht 1.5 million per month.

On March 16, 2005, Jasmine Internet Company Limited, an affiliate of a shareholder of the Company, agreed to designate the Company's subsidiary to be a representative for internet service i.e. marketing consultancy and all customer support services. The subsidiary agreed to share remuneration and pay a minimum guarantee as stipulated in the agreement. This agreement shall become effective for an initial term of 2 years and shall be automatically renewed for one additional year each unless either party notifies the other party 90 days prior to its termination. In addition, the subsidiary has entered into an agreement with the Company on April 1, 2005 in providing technical and advisory services for internet services to the subsidiary's customers. The Company will provide services as follows:

- Will act as a call center attending to all complaints, and providing required information for the subsidiary company clients, including help solving all the problems requested.
- Arrange the printing of receipts and/or invoices.
- Provide engineering services, such as technical advisory services in setting up the system and equipment to support the clients.

*Sum of 301*

*P. Siul*



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

The Company will receive monthly service fee based on type of clients and at the rate stated in the agreement. The agreement is valid for one year and renewable annually for a year. Either signatory to the agreement may terminate by giving an advance notice to the other of not less than 60 days.

The significant balances of assets, liabilities, and other transactions occurring with those parties are shown as follows:

Transactions with related parties for each of the three-month and nine-month periods ended September 30, 2005:

|   | In Million Baht |            |                  |            |
|---|-----------------|------------|------------------|------------|
|   | Consolidated    |            | The Company Only |            |
|   | Three-month     | Nine-Month | Three-month      | Nine-month |
| <b>Subsidiaries</b>                       |                 |            |                  |            |
| Consultancy service income                | -               | -          | 5                | 14         |
| Office building rental and service income | -               | -          | 1                | 4          |
| Advisory for internet service income      | -               | -          | 7                | 10         |
| Sales Modem                               | -               | -          | 11               | 14         |
| Purchase and installation dropwire        | -               | -          | 35               | 112        |
| Purchase and outside plant maintenance    | -               | -          | 26               | 74         |
| Purchase and maintenance equipment        | -               | -          | 6                | 21         |
| Cars and equipment rental                 | -               | -          | 23               | 67         |
| <b>Related company</b>                    |                 |            |                  |            |
| Lease circuit                             | 16              | 4          | 1                | 4          |
| Data Communication Network                | 3               | 10         | 3                | 10         |
| Purchase equipment project CC&B           | 22              | 330        | 22               | 330        |
| Purchase network equipment                | 68              | 283        | 68               | 283        |

Transactions with related parties for each of the three-month and nine-month periods ended September 30, 2004:

|  | In Million Baht |            |                  |            |
|--|-----------------|------------|------------------|------------|
|  | Consolidated    |            | The Company Only |            |
|  | Three-month     | Nine-Month | Three-month      | Nine-month |
| <b>Subsidiaries</b>                        |                 |            |                  |            |
| Consultancy service income                 | -               | -          | 5                | 14         |
| Office building rental and service income  | -               | -          | 1                | 4          |
| Purchase and installation dropwire         | -               | -          | 55               | 121        |
| Purchase and outside plant maintenance     | -               | -          | 27               | 87         |
| Purchase and maintenance equipment         | -               | -          | 11               | 21         |
| Cars and equipment rental                  | -               | -          | 23               | 67         |
| In-house wiring and Protector installation | -               | -          | 3                | 11         |
| <b>Related company</b>                     |                 |            |                  |            |
| Lease circuit                              | (2)             | 2          | (2)              | 2          |
| Data Communication Network                 | 4               | 8          | 4                | 8          |
| Purchase network equipment                 | 81              | 286        | 81               | 286        |



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

Balances with related parties as at September 30, 2005 and December 31, 2004:

|   | In Million Baht       |                      |                       |                      |
|---|-----------------------|----------------------|-----------------------|----------------------|
|   | Consolidated          |                      | The Company Only      |                      |
|   | September<br>30, 2005 | December<br>31, 2004 | September<br>30, 2005 | December<br>31, 2004 |
| Receivable from subsidiary companies  |                       |                      |                       |                      |
| - TT&T Subscriber Services Co., Ltd.  | -                     | -                    | 22.06                 | 6.12                 |
| - TT&T Value Added Service Co., Ltd.  | -                     | -                    | -                     | -                    |
| - Triple T Broadband Co., Ltd.  | -                     | -                    | 0.05                  | -                    |
| - Triple T Telecom Co., Ltd.  | -                     | -                    | 0.05                  | -                    |
| Total   | <u>-</u>              | <u>-</u>             | <u>22.16</u>          | <u>6.12</u>          |
| Payable to subsidiary companies   |                       |                      |                       |                      |
| - TT&T Subscriber Services Co., Ltd.  | -                     | -                    | 33.01                 | 49.64                |
| - TT&T Value Added Service Co., Ltd.  | -                     | -                    | -                     | 466.73               |
| Total   | <u>-</u>              | <u>-</u>             | <u>33.01</u>          | <u>516.37</u>        |
| Payable to related companies<br>(Part of the trade accounts payable in<br>the balance sheets)                 |                       |                      |                       |                      |
| - Smart Highway Co., Ltd.   | -                     | 2                    | -                     | 2                    |
| - Loxbit Public Company Limited   | -                     | 5                    | -                     | 5                    |
| - Jasmine Telecom Systems Public<br>Company Limited   | 13                    | 36                   | 13                    | 36                   |
| - Jasmine Internet Co., Ltd.  | 10                    | -                    | -                     | -                    |
| - Siam Teltech Computer Co., Ltd.   | 4                     | 2                    | 4                     | 2                    |
| Total   | <u>27</u>             | <u>45</u>            | <u>17</u>             | <u>45</u>            |
| Advance for purchase of equipment<br>(Part of the advance for purchase<br>of equipment in the balance sheets) |                       |                      |                       |                      |
| - Loxbit Public Company Limited   | 12                    | 48                   | 12                    | 48                   |
| - Jasmine Telecom Systems Public<br>Company Limited   | 160                   | 150                  | 160                   | 150                  |
| - Loxdata Company Limited   | 30                    | 30                   | 30                    | 30                   |
| Total   | <u>202</u>            | <u>228</u>           | <u>202</u>            | <u>228</u>           |

**5. TRADE ACCOUNTS RECEIVABLE**

As at September 30, 2005 and December 31, 2004, the Company had outstanding balances of trade accounts receivable classified by their aging, as follows:

| As at September 30, 2005  | In Million Baht       |            |             |                   |                |
|---|-----------------------|------------|-------------|-------------------|----------------|
|   | Current - 3<br>months | 3-6 months | 6-12 months | Over<br>12 months | Total          |
| The telephone service subscriber<br>receivable under the Concession Agreement |                       |            |             |                   |                |
| - Billed  | 315.1                 | 20.0       | 59.8        | 82.9              | 477.8          |
| - Unbilled  | 484.2                 | 83.6       | 58.9        | 128.5             | 755.2          |
| VAT on the assets transferred   | 1.1                   | 0.4        | 1.4         | 8.0               | 10.9           |
| Trade receivables - others  | 62.1                  | 14.2       | 18.9        | 10.0              | 105.2          |
|   | 862.5                 | 118.2      | 139.0       | 229.4             | 1,349.1        |
| Less Allowance for doubtful debts   |                       |            |             |                   | (217.4)        |
| <b>Accounts receivable - net</b>  |                       |            |             |                   | <b>1,131.7</b> |

*Sun 13/9/05*



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

| As at December 31, 2004  | In Million Baht    |            |             |                |                       |
|--|--------------------|------------|-------------|----------------|-----------------------|
|  | Current - 3 months | 3-6 months | 6-12 months | Over 12 months | Total                 |
| The telephone service subscriber receivable under the Concession Agreement |                    |            |             |                |                       |
| - Billed   | 371.9              | 33.5       | 40.4        | 8.9            | 454.7                 |
| - Unbilled   | 563.9              | 48.7       | 42.2        | 126.4          | 781.2                 |
| VAT on the assets transferred  | 1.1                | 0.9        | 6.0         | 1.2            | 9.2                   |
| Trade receivables - others   | <u>51.4</u>        | <u>1.3</u> | <u>1.4</u>  | <u>8.1</u>     | <u>62.2</u>           |
|  | 988.3              | 84.4       | 90.0        | 144.6          | 1,307.3               |
| Less Allowance for doubtful debts  |                    |            |             |                | <u>(159.7)</u>        |
| <b>Accounts receivable - net</b>   |                    |            |             |                | <u><b>1,147.6</b></u> |

As at September 30, 2005 and December 31, 2004, the Company had set up allowances for doubtful receivables of approximately Baht 217.4 million and Baht 159.7 million, respectively. The management believes that the allowance is adequate to cover the possible loss from uncollectible amounts. Besides, the Company has certain means to accelerate the collection of receivables, including the issuance of legal notices to follow-up the long outstanding balances and referring the cases to Legal Division of TOT Plc. ("TOT")

As at September 30, 2005 and December 31, 2004, the receivables under the Joint Undertaking and Joint Investment Agreement for the telephone service extension, for which the invoices have been issued, included the receivables being provided with other value added services, i.e. T-Pin, T-SMS, for instance, amounting to Baht 173 million and Baht 97 million, respectively. The Company has not received the income sharing from TOT, the rates of income sharing for which are being considered by TOT. The Company has recorded the income sharing at the same rates initially agreed with TOT. (See Note 15.2 of the financial statements).

TOT Corporation Plc. has changed its name to TOT Plc. effective on July 1, 2005 onwards.

## 6. ADVANCE PAYMENT FOR SHARE SUBSCRIPTION

The Company intended to invest in the Customer Care and Billing System (CC&B) through a subsidiary, TT&T Subscriber Services Company Limited. The subsidiary had, accordingly, convened Extraordinary General Meetings of its shareholders No. 3/2004 and No. 4/2004 at which resolutions were passed to increase the authorized share capital of the subsidiary by Baht 600 million in order to support the proposed investment in the CC&B. The Board of Directors of the Company approved the payment of Baht 400 million to the subsidiary in November and December 2004 as advance payment for additional shares in the subsidiary.

Creditors of the Company have subsequently filed notice of their objection to the proposed investment in the CC&B through the subsidiary, and imposed conditions on the Company should the Company proceed with the investment in this manner. The Company, after consideration of this objection, has decided to invest directly in the CC&B project rather than through the subsidiary and entered into a novation agreement for the CC&B Procurement Contract with the subsidiary effective on April 1, 2005. The subsidiary had convened Extraordinary General Meetings of its shareholders No. 1/2005 and 2/2005 held on February 4 and 21, 2005 respectively. Resolutions were passed to cancel the previous special resolutions for the capital increase and to return the share subscription advance to the Company. The Company received the aforesaid returned share subscription in May 2005.

*สมชาย ป.สิริ*



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

**7. INVESTMENTS RECORDED BY THE EQUITY METHOD**

As at September 30, 2005 and December 31, 2004, the investments recorded by the equity method consisted of the investments in shares of subsidiaries which are presented in the interim financial statements of the Company as follows:

|                                       | In Million Baht    |                       |                      |                       |                      | Dividend   |
|---------------------------------------|--------------------|-----------------------|----------------------|-----------------------|----------------------|------------|
|                                       | Paid-up<br>Capital | At Cost Method        |                      | At Equity Method      |                      |            |
|                                       |                    | September 30,<br>2005 | December 31,<br>2004 | September 30,<br>2005 | December 31,<br>2004 |            |
| <b>Subsidiaries</b>                   |                    |                       |                      |                       |                      |            |
| TT&T Subscriber<br>Services Co., Ltd. | 50                 | 50                    | 10                   | 217                   | 205                  | 157        |
| TT&T Value Added<br>Service Co., Ltd. | -                  | -                     | 100                  | -                     | 267                  | -          |
| Triple T Broadband<br>Co., Ltd        | <u>2</u>           | <u>2</u>              | <u>-</u>             | <u>2</u>              | <u>-</u>             | <u>-</u>   |
| <b>Total</b>                          | <u>52</u>          | <u>52</u>             | <u>110</u>           | <u>219</u>            | <u>472</u>           | <u>157</u> |

Pursuant to the Extraordinary General Meetings of Shareholders No. 1/2002 dated March 13, 2002, and No. 2/2002 dated March 29, 2002, TT&T Value Added Service Company Limited has commenced the liquidation process and registered this with the Ministry of Commerce on March 29, 2002. TT&T Value Added Service Company Limited has completed the liquidation as approved by the Extraordinary General Meetings of Shareholders No. 2/2005 dated July 26, 2005.

Dividend payments and increased share capital of the subsidiary

The Board of Directors' Meeting of TT&T Subscriber Services Co., Ltd. No. 3/2005 held on May 10, 2005 approved the interim dividend payment to the shareholders at Baht 117.35 per share by July 21, 2005. The subsidiary appropriated the legal reserve in the amount of Baht 1 million.

The Board of Directors' Meeting of TT&T Subscriber Services Co., Ltd. No. 5/2005 held on August 9, 2005 and the Extraordinary General Meetings of Shareholders of TT&T Subscriber Services Co., Ltd. No. 5/2005 held on August 19, 2005 approved the dividend payment to the shareholders at Baht 40 million by August 30, 2005. The Minutes of these meetings are still draft as at the date of this report.

The Extraordinary General Meetings of Shareholders of TT&T Subscriber Services Co., Ltd. No. 3/2005 dated July 1, 2005 and No 4/2005 dated July 29, 2005 passed a resolution to increase the authorized share capital to Baht 40 million. The subsidiary had registered the increase share capital with the Ministry of Commerce on August 30, 2005.

*Sumchai*

*P. Linn*



## **8. PROVISION FOR PAYABLES TO PEA**

The Company's financial statements as at December 31, 2004 and September 30, 2004, before adjustment, reflected a provision of Baht 631 million for payables to Provincial Electricity Authority ("PEA") in respect of the costs of pole-erecting and cable-laying equipment. These payables were included in the rehabilitation plan which was in the process of judgment from the Official Receiver. On September 30, 2002, the Official Receiver instructed the Company to pay debt balances, including interest (computed up to May 8, 2000), amounting to approximately Baht 230 million. The Company had made payment to PEA for both the principal and interest (up to December 25, 2002), amounting to Baht 268 million by the debt-to-equity method according to the resolution adopted at the Extraordinary Shareholders' Meeting No.2/2002, held on December 19, 2002. However, PEA submitted an appeal against the Official Receiver's instructions to the Central Bankruptcy Court ("CBC"). On May 28, 2003, CBC considered and issued an order to cancel the appeal of PEA objecting to the Official Receiver's instructions. Later, on June 24, 2003, PEA submitted an appeal to the Supreme Court objecting to the CBC order. The Supreme Court considered and made an appointment for the judgment hearing on March 22, 2005. The Supreme Court upheld the CBC decision and the case was considered closed. The Company has made an adjustment to reverse the remaining provision for payables to PEA amounting to Baht 631 million and reduce the "Cost of Telephone Services Expansion Project transferred to TOT Plc." by the same amount.

## **9. COST OF TELEPHONE SERVICES EXPANSION PROJECT TRANSFERRED TO TOT PLC.**

The Company has recorded the telephone equipment system gradually delivered to TOT according to the conditions of the Joint Operate and Joint Investment Agreement for telephone services expansion in the account "Cost of Telephone Services Expansion Project transferred to TOT Plc." and amortizes these costs as expenses over the remaining period of the concession (up to June 2019), commencing from the date on which the assets or the ownership are transferred.

The Company has, as described in Note 8, reduced the "Cost of Telephone Services Expansion Project transferred to TOT Plc.", by Baht 631 million. The Company has, as a consequence of this reduction in cost, adjusted for the excess amortization charged in prior years to Deficit as at January 1, 2004 and 2005 by Baht 215 million and Baht 243 million, respectively, and adjusted the loss for the three-month and nine-month periods ended September 30, 2004 by Baht 7 million and Baht 21 million respectively.

## **10. DEBT RESTRUCTURING**

The creditors and the Company agreed to proceed with filing the petition for the business rehabilitation sponsored by the Central Bankruptcy Court in conformity with the Bankruptcy Act B.E. 2542 on May 8, 2000. The Court ordered the Company's rehabilitation and appointed the Company as the planner on May 29, 2000 without any other creditors' objection. The creditors overwhelmingly voted in favor of the plan on December 21, 2000 and the Central Bankruptcy Court approved the Company's plan on December 27, 2000. Based on the Company's rehabilitation plan, the outstanding debts as at September 3, 2001 (Closing Date) which the Company owed to financial creditors, major suppliers, debts to related companies, small contractors and the subordinated loan (excluding debts to bureaucratic creditors) were restructured by partial payment, conversion of loans to the company's common shares and revision of conditions in the loan agreement. (See note 11 to the financial statements)

Debts to bureaucratic creditors, such as TOT, PEA and the Revenue Department, will be repaid as set forth in the rehabilitation plan.

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The Company has issued warrants in an amount equal to 10% of the total grossed-up number of ordinary shares of the Company after the debt restructuring of the financial creditors, the major suppliers and the Company's existing shareholders after the Closing Date. These warrants will be granted 50% to creditors and 50% to existing shareholders. The condition of the Restructuring Plan Warrants is specified in note 12 to the financial statements.

As part of the Plan, the Company undertakes to issue new common shares in the aggregate amount of Baht 5,000 million with a minimum receipt of Baht 3,000 million in cash within a period of 30 months from the Closing Date. A portion of the proceeds of the new equity may be used for debt settlement under the debt restructuring plan and the other portion may be used for capital expenditure in order to enable the Company to compete effectively in new lines of business in a deregulated environment. If the Company cannot increase its share capital by Baht 5,000 million within 24 or 30 months after the Closing Date, the Company shall issue to the Tranche C creditors additional warrants at that time. The condition of Tranche C warrants is specified in note 13 to the financial statements.

On November 30, 2001, the Company filed a petition for cancellation of business rehabilitation. The Court then ordered the approval of the Company's business rehabilitation on December 24, 2001 pursuant to Clause 90/70 under the Bankruptcy Act B.E. 2483.

## **11. LONG-TERM LOANS**

As at September 30, 2005 and December 31, 2004, long-term loans consisted of:

|                                    | In Million Baht       |                      |
|------------------------------------|-----------------------|----------------------|
|                                    | September 30,<br>2005 | December 31,<br>2004 |
| US Dollar loan                     | 11,898                | 12,132               |
| Baht loan                          | <u>11,791</u>         | <u>12,072</u>        |
| <b>Total</b>                       | 23,689                | 24,204               |
| Less portion due within one year   | <u>(1,860)</u>        | <u>(1,601)</u>       |
| <b>Total Long-Term Loans - Net</b> | <u>21,829</u>         | <u>22,603</u>        |

### **USD Loan Agreement**

The objective of this agreement is to restructure the existing USD debts that the Company owed to creditors amounting to approximately USD 418.1 million, without incurring any new indebtedness. The Company is obliged to repay USD principal in semi-annual installments according to the proportion specified in the agreement. The first installments shall commence on June 30, 2002 and the last installment on June 30, 2017. The USD interest payment calculation shall be divided into market and sub-market portions based on fixed rate and LIBOR plus the agreed rate specified in the agreement.

### **Baht Loan Agreement**

The objective of this agreement is to restructure the existing Baht debt that the Company owed to creditors of Baht 13,926.9 million, without incurring any new indebtedness. The Company is obliged to repay Baht principal in semi-annual installments, according to the proportion specified in the agreement. The first installment shall commence on June 30, 2002 and the last installment on June 30, 2017. The Baht interest payment calculation shall be divided into market and sub-market portion, based on MLR plus or minus the agreed rate specified in the agreement.

*Signature: P. Sivil*



**12. RESTRUCTURING PLAN WARRANTS (“RPW”)**

Under the debt restructuring agreements, the Company has issued warrants in an amount equal to 10% of the total grossed-up number of ordinary shares of the Company after the debt restructuring of the financial creditors, the major suppliers and the Company’s existing shareholders after the Closing Date. These warrants will be granted 50% to creditors and 50% to existing shareholders. These warrants will be exercisable within 5 years after October 1, 2001. Such warrants can only be exercised by means of a cash payment to the Company.

The details of Restructuring Plan Warrants are as follows:

|  |   |  |
|--|---|--|
| Type of warrant  | : | Warrant to purchase new common shares of the Company in named certificates.  |
| Number of units  | : | 284 million units  |
| Maturity   | : | 5 years  |
| Offering   | : | Offer to creditors of the Company and existing shareholders in their entirety pursuant to the Company’s rehabilitation plan. |
| Offering price   | : | Baht 0 per unit  |
| Exercise price   | : | Baht 4.85 per share  |
| Exercise right per unit  | : | 1 unit to 1 common share   |
| Number of common shares allotted and reserved for the warrants | : | 284 million shares   |
| Secondary market   | : | The Company registered the warrants as listed securities on the Stock Exchange of Thailand.                                  |

During the fourth quarter of 2001, the Company issued 281,155,610 warrant units which will be recorded when the warrant holders exercise their right to buy the Company’s common shares. As at December 31, 2004, holders of 43,319 warrant units had exercised their rights to buy the Company’s common shares. During the period ended September 30, 2005, the warrant holders had exercised their right to buy the Company’s common shares as follows:

| Exercise date  | Warrants exercised (Units) | Common shares issued (shares) | Cash receipt from exercise (Baht) | Registration date of increase of share capital |
|----------------|----------------------------|-------------------------------|-----------------------------------|--|
| January 2005   | 18,170                     | 18,170                        | 88,124.50                         | February 10, 2005                              |
| February 2005  | 2,950                      | 2,950                         | 14,307.50                         | March 8, 2005                                  |
| March 2005     | 150                        | 150                           | 727.50                            | April 11, 2005                                 |
| May 2005       | 2,499                      | 2,499                         | 12,120.15                         | June 8, 2005                                   |
| July 2005      | 1,450                      | 1,450                         | 7,032.50                          | August 8, 2005                                 |
| September 2005 | <u>2,500</u>               | <u>2,500</u>                  | <u>12,125.00</u>                  | October 10, 2005                               |
|                | <u>27,719</u>              | <u>27,719</u>                 | <u>134,437.15</u>                 |  |

The balances of unexercised warrants are as follows:

|     | Units                                   |                                      |  | Exercise price (Baht/share) | Expiry date     |
|-----|---|--------------------------------------|--|-----------------------------|-----------------|
|     | Warrants unexercised at January 1, 2005 | Warrants exercised during the period | Warrants Unexercised at September 30, 2005 |                             |                 |
| RPW | 281,112,291                             | 27,719                               | 281,084,572                                | 4.85                        | October 1, 2006 |

As at September 30, 2005, the latest bidding price of the warrants was Baht 2.14 per unit

*Sumrit P. Sivil*



**13. TRANCHE C WARRANTS (“TCW1” and “TCW2”)**

The details of Tranche C warrants are as follows:

|  |   |  |
|--|---|--|
| Type of warrant  | : | Warrant to purchase new common shares of the Company in named certificates.                        |
| Maturity   | : | 5 years  |
| Offering   | : | Offer to certain group of creditors of the Company pursuant to the Company’s rehabilitation plan.  |
| Offering price   | : | Baht 0 per unit  |
| Exercise right per unit  | : | 1 unit to 1 common share   |
| Number of common shares allotted and reserved for the warrants | : | 3,758 million shares   |
| Secondary market   | : | The Company will not register the warrants as listed securities on the Stock Exchange of Thailand. |

At the Extraordinary General Meeting of Shareholders No. 1/2003 held on September 30, 2003, a resolution was passed approving the issuance and offering of the Company’s share warrants or Tranche C Warrants to Tranche C Creditors as specified in the Company’s Rehabilitation Plan in two separate portions. The first portion shall be offered at 25% of total Tranche C Loans as at the date 24 months after the Closing Date (First Trigger Date), which was September 3, 2001, and issued by December 2003. The second portion shall be offered at 75% of total Tranche C Loans as at the date 30 months after the Closing Date (Second Trigger Date) and issued by March 2004. These warrants are exercisable within 5 years from the issuing date at the exercise price of Baht 10 per share by cash payment or by exchanging with Tranche C Loans, with an exercise ratio at 1 unit of warrant to 1 common share. Further, the Meeting approved an allocation of approximately 3,721 million reserved ordinary shares by allocating 672 million shares in reserve for the exercise of Tranche C Warrants by Tranche C Creditors, and the remaining 3,049 million shares should be reserved for offering to investors on a private placement basis.

On December 31, 2003, the Company issued the first portion of Tranche C Warrants (“TCW 1”) to Tranche C Creditors in the amount of 148,777,887 units. As at December 31, 2004, holders of 83,400,525 warrant units had exercised their rights to buy the Company’s common shares. During the period ended September 30, 2005 the warrant holders had exercised their rights as follows:

| <u>Exercise date</u> | <u>Warrants exercised (Units)</u> | <u>Common shares Issued (shares)</u> | <u>Debt to Equity Conversion ('000 Baht)</u> | <u>Registration date of increase of share capital</u> |
|----------------------|-----------------------------------|--------------------------------------|--|---|
| January 31, 2005     | 2,207,301                         | 2,207,301                            | 22,073                                       | February 10, 2005                                     |

On March 31, 2004, the Company issued the second portion of Tranche C Warrants (“TCW 2”) to Tranche C Creditors in the amount of 443,995,171 units. As at December 31, 2004, holders of 191,488,978 warrant units had exercised their rights to buy the Company’s common shares. During the period ended September 30, 2005 the warrant holders had exercised their rights as follows:

| <u>Exercise date</u> | <u>Warrants exercised (Units)</u> | <u>Common shares Issued (shares)</u> | <u>Debt to Equity Conversion ('000 Baht)</u> | <u>Registration date of increase of share capital</u> |
|----------------------|-----------------------------------|--------------------------------------|--|---|
| January 31, 2005     | 42,999,232                        | 42,999,232                           | 429,992                                      | February 10, 2005                                     |

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19

**T T & T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

The balances of unexercised warrants are as follows:

|       | Units   |                    |                       |  | Exercise by<br>Cash or Debt/<br>Equity<br>Conversion<br>(Baht/share) | Expiry date       |
|-------|---|--------------------|-----------------------|--|--|-------------------|
|       | Warrants<br>Unexercised<br>at January 1, 2005 | Warrants<br>issued | Warrants<br>Exercised | Warrants<br>unexercised at<br>September 30, 2005 |  |                   |
| TCW 1 | 65,377,362                                    | -                  | 2,207,301             | 63,170,061                                       | 10   | December 30, 2008 |
| TCW 2 | 252,506,193                                   | -                  | 42,999,232            | 209,506,961                                      | 10   | March 30, 2009    |

**14. SHARE CAPITAL**

**Authorized and issued share capital**

|  | 2005                 |                   |
|--|----------------------|-------------------|
|  | No. of Shares        | In Thousand Baht  |
| Authorized:  |                      |                   |
| Common shares of Baht 10 each<br>At January 1 and September 30 | 7,000,000,000        | 70,000,000        |
| Issued and fully paid  |                      |                   |
| Common shares of Baht 10 each<br>At January 1                  | 3,124,404,703        | 31,244,047        |
| Issues on exercise of warrants                                 |                      |                   |
| RPW  | 27,719               | 277               |
| TCW 1  | 2,207,301            | 22,073            |
| TCW 2  | 42,999,232           | 429,992           |
| At September 30  | <u>3,169,638,955</u> | <u>31,696,389</u> |

**Unissued share capital**

|   | No. of shares                  |                             |                                   |
|---|--------------------------------|-----------------------------|-----------------------------------|
|   | Unissued<br>at January 1, 2005 | Issued during the<br>Period | Unissued<br>at September 30, 2005 |
| Common shares of Baht 10 each allotted for            |                                |                             |                                   |
| a) debt/equity conversion to Class 7<br>Creditors     | 2,011,054                      | -                           | 2,011,054                         |
| b) debt/equity conversion to Class 8<br>Creditors     | 851,860                        | -                           | 851,860                           |
| c) debt/equity conversion to Class 1 & 2<br>Creditors | 814,447                        | -                           | 814,447                           |
| d) exercise of Restructuring Plan Warrants            | 283,956,681                    | 27,719                      | 283,928,962                       |
| e) offer to directors and employees of the<br>Group   | 142,000,000                    | -                           | 142,000,000                       |
| f) offer to   |                                |                             |                                   |
| - reserved for exercise of Tranche C<br>Warrant       | 397,110,497                    | 45,206,533                  | 351,903,964                       |
| - reserved for exercise of the<br>Company's warrant   | 39,000,000                     | -                           | 39,000,000                        |
| - investors on a private placement                    | <u>3,009,850,758</u>           | -                           | <u>3,009,850,758</u>              |
|   | <u>3,875,595,297</u>           | <u>45,234,252</u>           | <u>3,830,361,045</u>              |

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**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

The 2005 Annual General Meeting of shareholders held on April 28, 2005 passed a resolution for the incorporation of additional objectives for allocation of the remaining 3,048,850,758 ordinary shares as follows:

- a) To reserve 39,000,000 shares for the exercise of the Company's warrants, i.e. warrants issued under the Company's Debt Restructuring Plan (RPW) and warrants offered to Tranche C Creditors for two portions (TCW1 and TCW2). This is in reserve for the exercise right adjustment which may cause an increase in the original rate of exercise right (if any).
- b) To reserve 3,009,850,758 shares for offering all or part thereof to investors on a private placement basis according to the Notification of the Securities and Exchange Commission.
- c) In case there are any capital increase ordinary shares remaining from the reserve for the exercise of the Company's warrants as a result of the Company's right adjustment and the allocation for offering to investors on a private placement basis as described above, such remaining ordinary shares shall be allocated for public offering at the offer price of not less than Baht 4.10 per share. The Company must have accumulated loss at the time of issuance of offering the shares.

In addition, the 2005 Annual General Meeting of shareholders resolved and approved the issuance and offering of warrants to purchase the Company's shares to the directors and executives of the Company and its subsidiaries (Equity Stock Option Plan ; ESOP). The ESOP warrants have 5 years from the issuing and offering date and have allowed for exercise in the following proportion:

- In year 1 : exercisable up to 20% of the total warrants allocated.
- In year 2 : exercisable up to 40% of the total warrants allocated.
- In year 3 : exercisable up to 60% of the total warrants allocated.
- In year 4 : exercisable up to 80% of the total warrants allocated.
- In year 5 : exercise of the remaining warrants allocated.

Preliminary details of this issuance and offering of ESOP warrants are as follows:

|  |   |
|--|---|
| Type of warrant  | : Bearer and non-transferable right to purchase common shares of the Company  |
| Amount of warrants offered                                     | : 63.5 million units for ESOP warrant 2005/1<br>: 36.5 million units for ESOP warrant 2005/2  |
| Offering price per unit  | : Baht 0 per unit   |
| Exercise ratio   | : 1 warrant : 1 common share  |
| Exercise price   | : ESOP warrant 2005/1 - Baht 6 or averaged closing price of the Company's ordinary shares traded on the Stock Exchange of Thailand during 30 day period prior to the date of the shareholders' Meeting, whichever is higher.<br>: ESOP warrant 2005/2 - Baht 10 |
| Number of common shares allotted and reserved for the warrants | : 63.5 million shares for ESOP warrant 2005/1<br>: 36.5 million shares for ESOP warrant 2005/2  |
| Term of issuing and offering warrants                          | : within 1 year from the date of approval by the office of the Securities and Exchange Commission   |

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**15. INTERNATIONAL LONG-DISTANCE TELEPHONE INCOME FROM THE NEIGHBOURING COUNTRIES AND OTHER VALUE ADDED SERVICE INCOME**

**15.1 International long-distance telephone income from the neighbouring countries**

In accordance with the TOT income computation, income from long-distance telephone services provided to neighbouring countries was computed based on the difference between the number of calls from and to the neighbouring countries through the TOT Gateway. It is the Company's policy to recognize revenue from international long-distance calls from and to neighbouring countries only when such revenue can be reliably estimated. The following table summarises details of the revenue recognized from this source and the financial periods in which such revenue was recognized.

| <u>Period in which calls were made/received.</u> | <u>Income<br/>(Million Baht)</u> | <u>Period in which revenue was<br/>recognized.</u> |
|--|----------------------------------|--|
| January 1994 to July 2000                        | 53                               | 2 <sup>nd</sup> quarter of 2004                    |
| August 2000 to December 2001                     | 80                               | 4 <sup>th</sup> quarter of 2002                    |
| January 2002 to March 2003                       | 13                               | 4 <sup>th</sup> quarter of 2003                    |

Income from calls between January 1994 and July 2000 amounting to approximately Baht 53 million was recognized in the second quarter of 2004, in accordance with the letters from TOT, dated May 21 and June 25, 2004. The income from international long-distance calls from neighbouring countries for periods subsequent to March 2003 will be recognized as soon as it can be reasonably and reliably estimated.

**15.2 Other Value Added Service Income**

The Company earns income from other value added services, i.e. T-Pin (Postpaid) service, T-Card (Prepaid) service, Freephone 1800 service, etc, the rates of income sharing for which are being considered by TOT with further discussion in 2<sup>nd</sup> Quarter, 2005, no conclusion has been reached on this matter yet. Therefore, the Company has recorded the income sharing at the same rates applied to the value added services or at the rate initially agreed with TOT.

**16. LOSS PER SHARE**

**Basic loss per share**

Basic loss per share is determined by dividing the net loss for the three-month and nine-month periods ended September 30, 2005 and 2004 by the weighted average number of shares outstanding during the periods.

|  | <u>Consolidated</u> |                   | <u>The Company Only</u> |                   |
|--|---------------------|-------------------|-------------------------|-------------------|
|  | <u>Three-month</u>  | <u>Nine-month</u> | <u>Three-month</u>      | <u>Nine-month</u> |
| <b>Periods ended September 30, 2005</b>                |                     |                   |                         |                   |
| Net loss for common shareholders<br>(In Thousand Baht) | (416,683)           | (1,395,470)       | (416,683)               | (1,395,470)       |
| Weighted average number of shares<br>(Thousand Shares) | 3,169,635           | 3,163,006         | 3,169,635               | 3,163,006         |
| Basic loss per share (Baht)                            | (0.13)              | (0.44)            | (0.13)                  | (0.44)            |

|  | <u>Consolidated</u> |                   | <u>The Company Only</u> |                   |
|--|---------------------|-------------------|-------------------------|-------------------|
|  | <u>Three-month</u>  | <u>Nine-month</u> | <u>Three-month</u>      | <u>Nine-month</u> |
| <b>Periods ended September 30, 2004</b>                |                     |                   |                         |                   |
| Net loss for common shareholders<br>(In Thousand Baht) | (311,480)           | (777,983)         | (311,480)               | (777,983)         |
| Weighted average number of shares<br>(Thousand Shares) | 2,896,015           | 2,880,748         | 2,896,015               | 2,880,748         |
| Basic loss per share (Baht)                            | (0.11)              | (0.27)            | (0.11)                  | (0.27)            |

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**Diluted earnings per share**

Diluted earnings per share are determined by dividing the net profit for the period by the weighted average number of share outstanding during the period after adjusting common stock equivalents, on the assumption that the warrant holders had exercised their rights to convert their warrants wholly into common shares.

The Company did not present diluted earnings per share for the three-month and nine-month periods ended September 30, 2005 and 2004, because the warrants are anti-dilutive as their conversion to common shares would increase earnings per share.

**17. ASSETS USED AS COLLATERAL**

As at September 30, 2005 and December 31, 2004, the Company's current accounts, savings accounts, fixed deposit accounts, and short-term investments in promissory notes totalling Baht 2,048 million and Baht 1,690 million respectively, are provided as collateral to all creditors. The Company has no constraints in the utilization of these deposits but they are subject to annual creditors' approval before utilization.

**18. SEGMENT INFORMATION**

The Company was registered for the purpose of joint-undertaking of investment in the expansion project of telephone services with TOT in the provincial areas, including the installation of telephone lines. The management considers the operations as one business and the operations of the subsidiaries are complementary to the Company's business of servicing telephone subscribers. For this reason, the management considers this as one segment of operation. In addition, in terms of areas of services and marketing areas, the management also considers this as one segment of operation because the Company and subsidiaries operate only in the Kingdom of Thailand.

**19. OBLIGATIONS AND CONTINGENT LIABILITIES AND CONTINGENCIES**

19.1 As at September 30, 2005 and December 31, 2004, the Company and a subsidiary were contingently liable to a local bank for the letter of guarantee issued by the said bank in favor of other government agencies and contractor companies amounting to approximately Baht 11 million and Baht 62 million, as collateral for the Company's compliance with the terms of agreements.

19.2 Lease agreements

The Company and a subsidiary entered into car leasing agreements for a period of 4 years. These long-term lease agreements start and expire on different dates. As at September 30, 2005 and December 31, 2004, the Company and a subsidiary committed to pay the rental under the lease agreements as follows:

|                     | In Million Baht       |                      |                       |                      |
|---------------------|-----------------------|----------------------|-----------------------|----------------------|
|                     | Consolidated          |                      | The Company Only      |                      |
|                     | September 30,<br>2005 | December 31,<br>2004 | September 30,<br>2005 | December 31,<br>2004 |
| Due within one year | 27                    | 49                   | 5                     | 13                   |
| Between 2 - 4 years | <u>29</u>             | <u>47</u>            | <u>1</u>              | <u>3</u>             |
| <b>Total</b>        | <u>56</u>             | <u>96</u>            | <u>6</u>              | <u>16</u>            |

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**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

19.3 The Company had entered into agreements for the purchase and installation of equipment, in providing telephone services with the various companies, both local and overseas. As at September 30, 2005 and December 31, 2004, the Company had commitments for payment of the equipment under the aforesaid agreements, in the amounts of Baht 97 million and Baht 158 million, respectively.

19.4 On December 17, 2004, the subsidiary had commitment under a construction contract to construct a building for CC&B project with a local company in the amount of Baht 20.09 million. As at September 30, 2005, the subsidiary had already paid the construction cost under the aforesaid contract.

19.5 The Company was contingently liable to the Revenue Department for tax audits for the years 1993 to 1998. The Company has appealed and incorporated this dispute into the rehabilitation proceeding. On July 30, 2001, the official from Seizure Department ordered the Company to pay corporate income tax for the year 1994 amounting to approximately Baht 91.2 million, value added tax and the related penalty amounting to approximately Baht 22.6 million, and omit the payment of Specific Business Tax for the years 1994 to 1998 amounting to approximately Baht 78.5 million. On September 21, 2001, the Revenue Department has objected to the Seizure Official's order to the Central Bankruptcy Court in case of Specific Business Tax omission payment.

The Company received the appeal judgment from the Appeal Committee of the Revenue Department dated September 11, 2001, which ordered the Company to pay corporate income tax, penalty, and surcharge amounting to approximately Baht 91.2 million and the Specific Business Tax, penalty, and surcharge amounting to approximately Baht 78.5 million. However, a 50% discount was given on the penalty charges on Specific Business Tax and the remaining amount to be paid was approximately Baht 51.7 million. The Company has filed a lawsuit to Central Tax Court to object to the judgment on the Specific Business Tax.

The Company accrued the Specific Business Tax, together with the fine and surcharge, totalling Baht 51.7 million and the Company requested for tax relief for which a letter of guarantee, backed by pledge of fixed deposit, to the Revenue Department has been issued. The Central Tax Court dismissed the case submitted by the Company. The Company therefore re-appealed to the Supreme Court on June 10, 2002. The Supreme Court had made an appointment for the Court judgment hearing on August 22, 2005. The Supreme Court had upheld the judgement made by the Central Tax Court. Therefore, the Company had to pay the tax, surcharge and other expenses totalling Baht 57.6 million, on September 22, 2005.

TOT in a letter, advised the Company that the Revenue Department had answered the query raised by TOT regarding the compensation of the excise tax received by the contracting party of public sector, from the state contracting party falls into the nature of being the service - provided remuneration, with the result that the tax submission by TOT and the Company as the public sector contracting party, during the period covering February 2003 upto January 2005, was not correct, which caused a fine and surcharge from non-preparation and non-submission of the tax invoice and VAT to the Revenue Department in time, amounting to Baht 53.3 million and Baht 5.8 million respectively. However, the Company had mutual discussions with the Revenue Department and TOT on April 20, 2005 and had received the advice from the Revenue Department to send a letter to the Revenue Department requesting for an extended period for the submission of VAT and exemption of fine and surcharge for further consideration. The Company had submitted the said letter to the Revenue Department on May 17, 2005. Currently, the result of their consideration is not known.

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**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

19.6 The Company filed a lawsuit against TOT requesting the Central Administrative Court to order TOT to act in compliance with the Joint Undertaking Agreement Clause 37, which states that "In case of any change in the status of the TOT, all powers and authorities held by the TOT, including the power to stipulate the maintenance standards, shall not be transferred to any private agency to the extent that the private agency would have the power to supervise and control TT&T. In such event, all of the powers and authorities held by the TOT shall be vested in the Ministry of Transport and Communications". The Court accepted the Company's case into consideration on August 5, 2003. On May 10, 2005, the Central Administrative Court decided that the Company won the case. At present, TOT has made an appeal against this decision and the case is being considered by the Supreme Administrative Court.

19.7 Dispute between the Company and TOT

The reduction of tariff for domestic long-distance telephone service

According to TOT, True Corporation Plc.(former name :Telecom Asia Corporation Plc.) and the Company had mutually agreed on tariff reduction for market testing on the use of the domestic long-distance telephone calls by applying the service fee rate which is lower than the basic rate as stated in the Joint Undertaking Agreement, with effect from September 1, 2003. There have been 2 more extensions for the said period, which finally ended on June 30, 2004. Subsequently, TOT has advised the Company that TOT will further extend the use of the flexible service fee rate for the market testing commencing from July 1, 2004 to December 31, 2004, however, the Company did not agree to this and therefore, all three contracting parties are obliged to revert back to using the tariff rate as stipulated in the concession agreement. However, TOT continued to use the reduced rate after the extension agreement expired. As for TT&T, under the Joint Undertaking Agreement, the Company who has been authorized by TOT to issue invoices for the service fees, has to issue the said invoices at the same rate as TOT. As a result, the impact of the said adjustment of the service fee rate, under the said Joint Undertaking Agreement, caused a drastic reduction in the income sharing to the Company, thus causing significant effect on the Company financial position and/or the operation under the Joint Undertaking Agreement. After discussions with TOT, the Company sent a letter to TOT advising them of the said impact. TOT, however, still neglected and continued with the said adjustment of the service fee rate. Therefore, the Company issued a letter dated January 24, 2005, requesting TOT to reimburse the said domestic long-distance fee income for the period from July 2004 to December 2004, amounting to Baht 492,783,623, together with compensation for the reduction in income from December 2004 onwards, until such time that TOT cancels the service fee reduction. On the other hand, TOT denied any breach of agreement and claim that the Company shall pay the loss revenue.

The Company's legal advisor has given the opinion that the Company has charged the telephone service fee at the same rate as that charged by TOT in compliance with the terms of the Joint Undertaking Agreement. Therefore, TOT has no right to claim that the Company was in breach of the agreement and, therefore could not claim for any related loss.

The Company has issued claim to TOT for compensation on domestic long-distance fee as well as the reduction of revenue sharing from international calls from CAT. Further, the Company submitted the case to the arbitrator for consideration on October 21, 2005 with the amount of claim of Baht 753,475,267.

Logo on Public Payphone Booth

TOT in their letter dated June 1, 2005 requested the Company to take the Company's logo out of public payphone booths, claiming non-compliance with the terms of the Agreement. Therefore, TOT demanded the Company pay damages covering the period from the date of commencing operations until April 2005, amounting to Baht 352 million. The Company issued a letter advising that the fixing of the Company's logo on the public phone booths was for the purpose of maintenance of assets under the Company's responsibility, as when the public payphone was out of order, customers can inform the Company to fix it, thus not causing damage to TOT.

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*P. Suih*



**TT&T PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**Notes to Interim Financial Statements (Continued)**  
**September 30, 2005 and 2004 (Reviewed)**  
**and December 31, 2004 (Audited)**

On September 27, 2005, TOT submitted the case to the Thai Arbitration Institute demanding the Company to affix the TOT logo on public telephones and telephone booths, as well as payment for all damages resulting from affixing TT&T logo on the payphones and booths, commencing from October 1997 to September 2005, inclusive, totaling Baht 382 million, plus interest of 7.5% per annum until final payment. The Company is in the process of preparing an objection for submission to the arbitrator.

Service fee for receipt of fault complaints

According to the Addendum to the Amended Joint Operate and Joint Investment Agreement on Fault Complaint Reception and Dropwire Maintenance Service, TOT agreed to pay the service fee to the company at the actual cost plus 5% of that cost, but not exceeding the rate determined in the Addendum. TOT informed that TOT has calculated the overpaid service fee for the year 2002 to May 2005 which was different from what the Company had calculated, and claimed that TOT has overpaid for the said period in total amount of Baht 324 million. The Company has objected the calculation method and both companies are now in discussion to resolve the matter.

Equipment Transferred

On October 10, 2005, TOT had sent a letter to the Company, requesting for payment of compensation for loss of benefit and the cost of damages caused by non-transfer of equipment for the additional extension of the network of 122 telephone exchanges and non-transfer of the SDH equipment totaling Baht 162 million and Baht 3,263 million respectively. The Company had sent a letter to TOT requesting them to provide the Company with the details of the loss of benefit and the cost of damages for prior investigation, since the Company felt that this was not clear and should not be requested accordingly. At present, clarification has not been received.

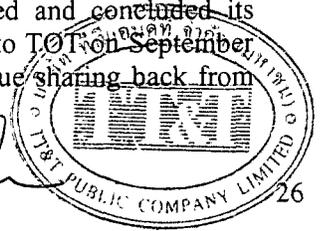
19.8 IP Network rental fee

When, as stated above, TOT considered that the Company did not agree to participate with TOT in the market testing of the domestic long-distance telephone network during July 1, 2004 to December 31, 2004, TOT then had delayed the course of signing a mutual agreement on market test of the use of the domestic long-distance telephone, at economy price (Y-Tel 1234) and charged the Company for the use of its IP Network, which is used for providing the services of the domestic long-distance telephone in economy price (Y-Tel 1234), at the previous agreed rate. The amount charged by TOT to the Company for the use of its IP Network for the period from July 2004 to March 2005 was greater than the amount recorded and paid by the Company by Baht 49 million.

However, on May 29, 2005, TOT and the Company had reached a mutual agreement to have a market test of the use of the domestic long-distance telephone, at economy price (Y-Tel 1234), (3<sup>rd</sup> revised) in order to extend the period of the market test in the use of the domestic long-distance telephone, at economy price (Y-Tel 1234), covering the period from July 1, 2004 to June 30, 2005. This mutual agreement specified the charge rate of IP Network which is similar to the rate that the Company recorded and paid to TOT, hence there is no outstanding amount for the period. At the end of the agreed period, TOT and the Company had agreed to extend the market testing period further from July 1, 2005 to December 31, 2005.

19.9 According to TOT's letter dated July 15, 2005, TOT claimed that TOT had investigated and found that the installation and submission of income from public payphone by the Company was incorrect. According to the claim, the Company had not submitted income to TOT from January to May 2005 of at least Baht 74 million. Therefore, TOT requested the Company to submit the income correctly, including interest caused by the late submission, which the Company had already audited and concluded its information and also submitted the income plus interest, totalling Baht 5.2 million to TOT on September 21, 2005. The Company also already received the corresponding amount of revenue sharing back from TOT.

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26



19.10 On April 8, 2005, the Company submitted an arbitration claim with the Thai Arbitration Institute, the Alternative Dispute Resolution Office, and the Office of the Judiciary, in order to claim against TOT for the network utilization or access charged or should have been charged by TOT from the mobile operators according to the Joint Operate and Joint Investment Agreement between TOT and the Company. The Company's claim, as of March 31, 2005, is in the amount of Baht 28,096 million, including interest at a rate of MLR+1% on the aforementioned amount until payment is made in full. The Company's claim also requests the normal payment by TOT of the access charges commencing from April 1, 2005 onwards until the expiry of the period under the Joint Operate and Joint Investment Agreement. TOT had requested the extension of period for submitting their objection for 5 times since and finally submitted their protest on August 30, 2005. At present, an Arbitral Tribunal is being formed to handle the case.

## **20. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in the 2004 financial statements have been reclassified to conform to the 2005 interim financial statement presentation.

## **21. APPROVAL OF THE FINANCIAL STATEMENTS**

The interim financial statements have been approved by the directors of the Company.

*P. Sindh*

*สมศักดิ์ ช่างค์*

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