

ELECTRICITY GENERATING PUBLIC COMPANY LIMITED

CONSOLIDATED AND COMPANY

FINANCIAL STATEMENTS

31 December 2005

AUDITOR'S REPORT

To the Shareholders of Electricity Generating Public Company Limited

I have audited the accompanying consolidated and company balance sheets as at 31 December 2005 and 2004, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the years then ended of Electricity Generating Public Company Limited and its subsidiaries ("the Group"), and of Electricity Generating Public Company Limited ("the Company"), respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

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

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2005 and 2004 and the consolidated and company results of operations and cash flows for the years then ended of the Group and of the Company, respectively in accordance with generally accepted accounting principles.

PRASAN CHUAPHANICH
Certified Public Accountant
(Thailand) No. 3051
PricewaterhouseCoopers ABAS Limited

Bangkok
17 February 2006

Electricity Generating Public Company Limited

Balance Sheets

As at 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
ASSETS					
Current Assets					
Cash and cash equivalents	5	8,820,211,798	1,850,946,791	2,627,988,314	845,606,884
Short-term investments	6				
- Deposits at financial institutions		675,820,274	2,535,029,595	845,705	1,839,386,592
- Marketable securities		57,173,830	232,242,286	59,289,590	171,223,726
Short-term investments used as collateral	7				
- Deposits at financial institutions		4,360,974,047	5,116,367,743	-	-
- Marketable securities		26,000,000	1,234,354,006	-	-
Trade receivables, net	8	304,987,351	300,916,286	-	-
Trade receivable from a related party	28	2,248,699,679	2,058,353,736	-	-
Dividend receivables from subsidiaries		-	-	901,593,734	1,846,359,243
Current portion of long-term loans					
to related parties	28	11,915,049	-	23,830,098	-
Amounts due from related parties	28	126,256,543	60,351,726	160,083,224	34,260,443
Spare parts and supplies, net	9	3,836,351,893	3,436,470,177	-	-
Other current assets	28	540,892,344	284,794,949	14,406,241	34,978,632
Total Current Assets		21,009,282,808	17,109,827,295	3,788,036,906	4,771,815,520
Non-Current Assets					
Long-term investments in marketable securities					
and others	10	2,859,356,538	2,721,444,881	2,868,297,503	2,727,696,993
Long-term investments used as collateral	7				
- Deposits at financial institutions		62,438,351	1,016,570,061	-	-
- Marketable securities		26,000,000	52,000,000	-	-
Long-term loans to related parties, net	28	125,000,000	671,930,676	1,030,000,000	846,930,676
Investments in subsidiaries	11	-	-	19,948,460,774	15,139,665,256
Investment in an associate	11	395,380,955	390,914,094	-	-
Interests in joint ventures, net	11	7,960,213	7,192,140	4,053,162,892	4,030,919,828
Property, plant and equipment, net	12	34,749,092,485	31,283,164,366	738,559,245	747,248,867
Goodwill, net	13	1,082,825,603	1,158,532,024	-	-
Other non-current assets, net	14	932,752,880	654,775,880	192,250,881	27,725,719
Total Non-Current Assets		40,240,807,025	37,956,524,122	28,830,731,295	23,520,187,339
Total Assets		61,250,089,833	55,066,351,417	32,618,768,201	28,292,002,859

For Director

Electricity Generating Public Company Limited

Balance Sheets

As at 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Bank overdrafts and short-term loans from financial institutions		109,462,658	75,000,000	-	-
Trade payables		750,853,380	475,572,404	-	-
Construction payables		2,459,366,020	-	-	-
Trade payable to a related party	28	87,566,522	155,859,931	-	-
Amounts due to related parties	28	55,302,657	29,489,350	2,130,488	92,681
Current portion of long-term loans from financial institutions, net	16	3,331,375,567	2,769,272,411	-	-
Debentures due within one year	17	1,317,763,760	630,806,000	-	-
Current portion of long-term loans from other venturer of a joint venture	15	11,915,049	50,000,000	-	-
Other current liabilities					
- Interest payable	28	160,863,295	151,936,725	-	-
- Value added tax payable		157,032,400	251,645,627	-	-
- Income tax payable		178,553,842	230,017,821	-	-
- Others		615,770,294	448,899,797	109,600,794	122,402,594
Total Current Liabilities		9,235,825,444	5,268,500,066	111,731,282	122,495,275
Non-Current Liabilities					
Long-term loans from financial institutions, net	16	15,090,448,658	15,431,101,852	-	-
Debentures, net	17	3,608,947,723	4,926,846,523	-	-
Long-term loans from other venturer of a joint venture, net	15	125,000,000	125,000,000	-	-
Net liabilities in a joint venture	11	-	-	492,562,122	-
Other non-current liabilities		1,075,356,364	211,967,268	935,620,331	-
Total Non-Current Liabilities		19,899,752,745	20,694,915,643	1,428,182,453	-
Total Liabilities		29,135,578,189	25,963,415,709	1,539,913,735	122,495,275

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited

Balance Sheets

As at 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)					
Shareholders' Equity					
Share capital	18				
Authorised share capital		5,300,000,000	5,300,000,000	5,300,000,000	5,300,000,000
Issued and paid-up share capital		5,264,650,000	5,264,650,000	5,264,650,000	5,264,650,000
Premium on share capital	18	8,601,300,000	8,601,300,000	8,601,300,000	8,601,300,000
Premium on treasury stock		47,373,035	-	47,373,035	-
Retained earnings					
Appropriated					
- Legal reserve	19	530,000,000	530,000,000	530,000,000	530,000,000
- Capital reserve for treasury stock		-	52,169,276	-	52,169,276
Unappropriated		16,107,739,744	13,530,545,410	16,107,739,744	13,530,545,410
Unrealised gains on investments in marketable securities - available-for-sale		587,384,126	359,887,106	624,896,135	408,150,340
Translation adjustments		(97,104,448)	(165,138,166)	(97,104,448)	(165,138,166)
Total parent's shareholders' equity		31,041,342,457	28,173,413,626	31,078,854,466	28,221,676,860
Minority interest	20	1,073,169,187	981,691,358	-	-
Total Shareholders' Equity		32,114,511,644	29,155,104,984	31,078,854,466	28,221,676,860
<u>Less</u> Treasury stock		-	(52,169,276)	-	(52,169,276)
Total Shareholders' Equity, net		32,114,511,644	29,102,935,708	31,078,854,466	28,169,507,584
Total Liabilities and Shareholders' Equity		61,250,089,833	55,066,351,417	32,618,768,201	28,292,002,859

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited
Statements of Income
For the years ended 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
Revenues					
Sales and service income	28	16,022,283,753	15,619,522,030	-	-
Cost of sales and services	28	(8,151,188,380)	(7,592,661,519)	-	-
Gross profit		7,871,095,373	8,026,860,511	-	-
Administrative expenses	28	(1,417,038,181)	(1,275,985,210)	(418,520,760)	(396,833,166)
Write-off development costs		(279,758,722)	-	-	-
Profit (loss) from sales and services		6,174,298,470	6,750,875,301	(418,520,760)	(396,833,166)
Other income					
- Interest income	28	353,197,160	297,328,054	120,097,585	93,536,339
- Dividend income		241,214,217	475,214,682	241,214,217	475,214,682
- Others		210,169,237	79,221,026	297,147,249	112,295,489
Impairment charge		-	34,220,274	-	-
Directors' remuneration	24	(29,963,120)	(21,829,251)	(17,175,660)	(17,499,939)
Currency exchange gains (losses)		(285,394,385)	67,103,820	52,636,717	(15,222,981)
Operating profit		6,663,521,579	7,682,133,906	275,399,348	251,490,424
Share of loss exceed interest in a joint venture	11	-	-	(501,672,871)	-
Share of profit from subsidiaries, an associate and interests in joint ventures	11	27,061,091	28,635,828	4,318,787,532	4,462,601,416
Profit before interest and tax		6,690,582,670	7,710,769,734	4,092,514,009	4,714,091,840
Interest expenses	28	(1,859,116,289)	(2,219,929,424)	-	(52,266,543)
Income tax	26	(475,407,929)	(596,578,876)	-	-
Profit before minorities		4,356,058,452	4,894,261,434	4,092,514,009	4,661,825,297
Profit attributable to minorities	20	263,544,443	232,436,137	-	-
Net profit for the year	21	4,092,514,009	4,661,825,297	4,092,514,009	4,661,825,297
Basic earnings per share					
Profit before minorities	22	8.28	9.32	7.78	8.88
Profit attributable to minorities		0.50	0.44	-	-
Net profit for the year		7.78	8.88	7.78	8.88

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Electricity Generating Public Company Limited
 Statements of Changes in Shareholders' Equity
 For the years ended 31 December 2005 and 2004

Consolidated

	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Premium on treasury stock Baht	Legal reserve Baht	Capital reserve for treasury stock Baht	Retained earnings Baht	Fair value reserve Baht	Translation adjustments Baht	Minority interest Baht	Treasury stock Baht	Total Baht
Opening balance as at 1 January 2005		5,264,650,000	8,601,300,000	-	530,000,000	52,169,276	13,530,545,410	359,887,106	(165,138,166)	981,691,358	(52,169,276)	29,102,935,708
Translation adjustments		-	-	-	-	-	-	-	68,033,718	(1,734,133)	-	66,299,585
Net profit for the year		-	-	-	-	-	4,092,514,009	-	-	-	-	4,092,514,009
Dividends	23	-	-	-	-	-	(1,567,488,951)	-	-	(171,699,966)	-	(1,739,188,917)
Unrealised gains (losses) on investments in marketable securities - available-for-sale		-	-	-	-	-	-	189,476,021	-	(144,823)	-	189,331,198
Realised gains from transfer of investments from available-for-sale to held to maturity		-	-	-	-	-	-	29,410	-	-	-	29,410
Amortisation of gains from transfer of investments from available-for-sale to held to maturity		-	-	-	-	-	-	37,991,589	-	-	-	37,991,589
Ordinary shares		-	-	-	-	-	-	-	-	1,512,308	-	1,512,308
Treasury stock		-	-	47,373,035	-	(52,169,276)	52,169,276	-	-	-	52,169,276	99,542,311
Minority interest	20	-	-	-	-	-	-	-	-	263,544,443	-	263,544,443
Closing balance as at 31 December 2005		<u>5,264,650,000</u>	<u>8,601,300,000</u>	<u>47,373,035</u>	<u>530,000,000</u>	<u>-</u>	<u>16,107,739,744</u>	<u>587,384,126</u>	<u>(97,104,448)</u>	<u>1,073,169,187</u>	<u>-</u>	<u>32,114,511,644</u>
Opening balance as at 1 January 2004		5,264,650,000	8,601,300,000	-	530,000,000	-	10,474,834,519	1,206,631,950	(182,803,390)	858,591,957	(52,169,276)	26,701,035,760
Translation adjustments		-	-	-	-	-	-	-	17,665,224	312,489	-	17,977,713
Net profit for the year		-	-	-	-	52,169,276	4,661,825,297	-	-	-	-	4,713,994,573
Capital reserve for treasury stock		-	-	-	-	-	(52,169,276)	-	-	-	-	(52,169,276)
Dividends paid	23	-	-	-	-	-	(1,553,945,130)	-	-	(109,652,400)	-	(1,663,597,530)
Unrealised gains (losses) on investments in marketable securities - available-for-sale		-	-	-	-	-	-	(846,744,844)	-	3,175	-	(846,741,669)
Minority interest	20	-	-	-	-	-	-	-	-	232,436,137	-	232,436,137
Closing balance as at 31 December 2004		<u>5,264,650,000</u>	<u>8,601,300,000</u>	<u>-</u>	<u>530,000,000</u>	<u>52,169,276</u>	<u>13,530,545,410</u>	<u>359,887,106</u>	<u>(165,138,166)</u>	<u>981,691,358</u>	<u>(52,169,276)</u>	<u>29,102,935,708</u>

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited
 Statements of Changes in Shareholders' Equity
 For the years ended 31 December 2005 and 2004

	Company										
		Issued and paid-up share capital	Premium on share capital	Premium on treasury stock	Legal reserve	Capital reserve for treasury stock	Retained earnings	Fair value reserve	Translation adjustments	Treasury stock	Total
	Notes	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Opening balance as at 1 January 2005		5,264,650,000	8,601,300,000	-	530,000,000	52,169,276	13,530,545,410	408,150,340	(165,138,166)	(52,169,276)	28,169,507,584
Translation adjustments		-	-	-	-	-	-	68,033,718	-	-	68,033,718
Net profit for the year		-	-	-	-	-	4,092,514,009	-	-	-	4,092,514,009
Dividends	23	-	-	-	-	-	(1,567,488,951)	-	-	-	(1,567,488,951)
Unrealised gains on investments in marketable securities - available-for-sale		-	-	-	-	-	-	216,745,795	-	-	216,745,795
Treasury stock		-	-	47,373,035	-	(52,169,276)	52,169,276	-	-	52,169,276	99,542,311
Closing balance as at 31 December 2005		<u>5,264,650,000</u>	<u>8,601,300,000</u>	<u>47,373,035</u>	<u>530,000,000</u>	<u>-</u>	<u>16,107,739,744</u>	<u>624,896,135</u>	<u>(97,104,448)</u>	<u>-</u>	<u>31,078,854,466</u>
Opening balance as at 1 January 2004		5,264,650,000	8,601,300,000	-	530,000,000	-	10,474,834,519	1,261,160,586	(182,803,390)	(52,169,276)	25,896,972,439
Translation adjustments		-	-	-	-	-	-	17,665,224	-	-	17,665,224
Net profit for the year		-	-	-	-	-	4,661,825,297	-	-	-	4,661,825,297
Capital reserve for treasury stock		-	-	-	-	52,169,276	(52,169,276)	-	-	-	-
Dividends		-	-	-	-	-	(1,553,945,130)	-	-	-	(1,553,945,130)
Unrealised losses on investments in marketable securities - available-for-sale		-	-	-	-	-	-	(853,010,246)	-	-	(853,010,246)
Closing balance as at 31 December 2004		<u>5,264,650,000</u>	<u>8,601,300,000</u>	<u>-</u>	<u>530,000,000</u>	<u>52,169,276</u>	<u>13,530,545,410</u>	<u>408,150,340</u>	<u>(165,138,166)</u>	<u>(52,169,276)</u>	<u>28,169,507,584</u>

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
Cash flows from operating activities					
Net profit for the year		4,092,514,009	4,661,825,297	4,092,514,009	4,661,825,297
Adjustments to reconcile net profit to net cash provided by operations:					
- Depreciation and amortisation		2,707,557,323	2,528,919,794	43,425,825	53,010,216
- Impairment charge	12	2,500,000	(34,220,274)	-	-
- Write-off goodwill	13	-	43,286,192	-	-
- Write-off development costs		279,758,722	76,920,966	-	-
- Write-off bad debt		-	22,960,494	-	-
- Allowance for obsolescence		35,658,646	12,165,128	-	-
- Amortisation of losses from transfer of investments from available-for-sale to held to maturity		41,706,452	-	-	-
- Unrealised currency exchange (gains) losses		395,300,875	(71,952,827)	(32,242,288)	14,857,812
- (Gains) losses on disposals of property, plant and equipment		(3,919,314)	3,533,216	(1,751,434)	944,372
- Dividends received from other companies		(241,214,217)	(475,214,682)	(241,214,217)	(475,214,682)
- Share of loss exceed interest in a joint venture	11	-	-	501,672,871	-
- Shares of profit from subsidiaries, an associate and interests in joint ventures	11	(27,061,091)	(28,635,828)	(4,318,787,532)	(4,462,601,416)
- Minority interest	20	263,544,443	232,436,137	-	-
- Others		(667,521)	(4,301,625)	-	-
Cash flows before changes in operating assets and liabilities		7,545,678,328	6,967,721,988	43,617,234	(207,178,401)
Changes in operating assets and liabilities: (excluding the effects of acquisition and disposal)					
- Short-term and long-term investments used as collateral		2,919,135,144	2,481,526,063	-	-
- Trade receivables and trade receivable from a related party		(186,136,195)	(708,136,550)	-	-
- Amounts due from related parties		(119,735,540)	5,193,258	(125,822,780)	48,838,493
- Spare parts and supplies		(593,314,307)	(485,119,227)	-	-
- Other current assets		(209,535,613)	(105,914,010)	20,572,391	(37,130,176)
- Other non-current assets		(166,871,251)	32,394,708	(164,565,164)	22,099,887
- Trade payables and trade payable to a related party		(532,564)	200,581,826	-	-
- Amounts due to related parties		24,869,856	(33,458,774)	2,037,807	54,929
- Other current liabilities		(12,701,686)	179,400,742	(12,450,050)	(5,836,620)
- Other non-current liabilities		146,039,473	66,000	-	-
Net cash receipts (payments) from operating activities		9,346,895,645	8,534,256,024	(236,610,563)	(179,151,888)

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2005 and 2004

	Notes	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
Cash flows from investing activities					
Proceeds from sale of investment in a subsidiary	11	-	-	935,620,333	-
Payments on investments in subsidiaries, subsidiary of a joint venture and interest in a joint venture	11	18,003,872	(158,951,200)	(4,670,577,192)	(882,020,000)
Net cash receipts (payments) on deposits at financial institutions		2,031,972,640	(837,347,871)	1,838,540,888	(750,802,871)
Net cash receipts from short-term investments		144,144,788	812,203,120	110,624,270	889,265,698
Net cash receipts (payments) from long-term investments		54,729,730	(230,283,668)	39,729,730	(230,283,668)
Net purchases of property, plant and equipment		(2,927,840,393)	(2,149,604,956)	(32,944,769)	(7,629,324)
Loans and advances made to related parties		(380,958,406)	(755,693,489)	(1,253,944,542)	(929,298,489)
Proceed from loans to related parties	28	824,045,580	50,000,000	1,079,287,407	100,000,000
Dividends received from subsidiaries and a joint venture	11	21,826,157	-	5,199,740,042	4,542,621,476
Dividends received from other companies		241,214,217	475,214,682	241,214,217	475,214,682
Others		(45,246,909)	(17,293,030)	-	-
Net cash receipts (payments) from investing activities		(18,108,724)	(2,811,756,412)	3,487,290,384	3,207,067,504
Cash flows from financing activities					
Proceeds from increase in share capital from other venturer of a joint venture		397,319,252	-	-	-
Proceeds from issue of ordinary shares from minority of a subsidiary of a joint venture	20	2,089,500	-	-	-
Payments on finance lease		(5,017,885)	(1,281,087)	-	-
Net proceed (payment) from short-term loans		34,462,658	(244,687,540)	-	-
Proceeds from long-term loans from financial institutions	16	2,915,266,902	2,073,514,068	-	-
Payments on long-term loans from financial institutions and debentures	16, 17	(3,421,231,313)	(5,861,602,257)	-	(1,400,650,000)
Proceed from long-term loan from other venturer of a joint venture		256,897,965	50,000,000	-	-
Payment on long-term loan from other venturer of a joint venture		(540,008,625)	(50,000,000)	-	-
Payments of financing fee	16	(395,906,184)	-	-	-
Proceeds from treasury stock		99,542,310	-	99,542,310	-
Dividends paid to shareholders	23	(1,706,531,475)	(1,571,312,994)	(1,567,840,701)	(1,553,446,100)
Net cash payments on financing activities		(2,363,116,895)	(5,605,369,810)	(1,468,298,391)	(2,954,096,100)
Net increase in cash and cash equivalents					
Beginning balance		6,965,670,026	117,129,802	1,782,381,430	73,819,516
Effects of exchange rate changes		1,850,946,791	1,730,769,987	845,606,884	771,787,368
Ending balance		3,594,981	3,047,002	-	-
		8,820,211,798	1,850,946,791	2,627,988,314	845,606,884

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

Electricity Generating Public Company Limited
Statements of Cash Flows
For the years ended 31 December 2005 and 2004

	Note	Consolidated		Company	
		2005 Baht	2004 Baht	2005 Baht	2004 Baht
Cash and cash equivalents are made up as follows:					
- Cash in hand and deposits at financial institutions		5,798,409,420	811,419,326	85,114,989	120,451,185
- Short-term investments - maturities within three months		3,021,802,378	1,039,527,465	2,542,873,325	725,155,699
		<u>8,820,211,798</u>	<u>1,850,946,791</u>	<u>2,627,988,314</u>	<u>845,606,884</u>
Supplementary information for cash flows:					
Interest paid		1,995,975,587	2,167,566,958	-	21,037,519
Tax paid		444,064,681	258,490,436	-	-
Non-cash transactions					
Reclassification of utilised capital spare parts to property, plant and equipment	12	257,618,702	350,990,173	-	-
Reclassification of unutilised capital spare parts from property, plant and equipment	12	65,903,234	437,169,030	-	-
Increase in property, plant and equipment by other payables		2,817,804,161	25,414,944	-	-

The notes to the consolidated and company financial statements on pages 11 to 53 are an integral part of these financial statements.

1 General information

Electricity Generating Public Company Limited (“the Company”) is a public limited company incorporated and resident in Thailand. The address of its registered office is 15th Floor EGCO Tower, 222 Moo 5, Vibhavadi Rangsit Road, Tungsonghong, Laksi, Bangkok 10210.

The Company is listed on the Stock Exchange of Thailand. For reporting purposes, the Company and its subsidiaries, an associate and joint ventures are referred to as “the Group”.

The principal business operation of the Group is the generation of electricity for sale to the government sector and industrial users both in Thailand and overseas.

The Group has operations in over three countries and employs over 969 people (2004: 916 people).

These consolidated and company financial statements have been approved for issue by the President on 17 February 2006.

2 Accounting policies

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

2.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E.2547 and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

As a result of the Federation of Accounting Profession (FAP) approval of three new accounting standards on 12 May 2005, the Group has adopted TAS 52: “Events After Balance Sheet Date”, TAS 53: “Provisions, Contingent Liabilities, and Contingent Assets” and TAS 54: “Discontinuing Operations” since the second quarter of 2005. The adoption of the three new standards did not have any impact on the financial statements presented.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

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

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

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

2 Accounting policies (continued)

2.2 Group accounting – investments in subsidiaries and an associate and interests in joint ventures

2.2.1 Investments in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which its control is transferred to the Group. They are de-consolidated from the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.9.1 for the accounting policy on goodwill).

Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated; unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are reported by using the equity method of accounting.

A list of the Group's principal subsidiaries and the financial effects of the acquisitions and disposals of subsidiaries are shown in Note 11.

2.2.2 Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost in the consolidated and company financial statements. The Group's investment in associates includes goodwill (net of accumulated amortisation) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in fair value reserves is recognised in fair value reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other the Group's obligations or payments that are made on behalf of the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

A list of the Group's principal associates is shown in Note 11.

2 Accounting policies (continued)

2.2.3 Interests in joint ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation in the consolidated financial statements. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis (with similar items in the Group's financial statements). The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of assets or an impairment loss, the loss is recognised immediately.

In the Company's separate financial statements, the equity method is applied to account for interests in joint ventures.

A list of the Group's principal joint ventures and the financial effects of the acquisitions and disposals of joint ventures are shown in Note 11.

2.3 Foreign currency translation

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

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Thai Baht at the exchange rate prevailing at the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the consolidated and company statements of income. Liabilities which are covered by foreign currency forward contracts or currency swap contracts are translated into Thai Baht at the contract rate.

Translation differences on investments in debt securities and other monetary financial assets measured at fair value are included in foreign currency exchange gains and losses in the statement of income. Translation differences on available-for-sale investments in equity securities are included in the revaluation reserve in equity.

Statements of income and cash flows of foreign entities are translated into the Group's reporting currency at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling on the balance sheet date. Currency translation differences arising from the retranslation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign entity, accumulated currency translation differences are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2 Accounting policies (continued)

2.4 Financial instruments

Financial assets carried in the balance sheets include cash and cash equivalents, investments, trade receivables and trade receivable from a related party. Financial liabilities carried in the balance sheet include trade payables, trade payable from a related party, loans and debentures. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group also parties to financial instruments that reduce exposure to fluctuations in foreign currency exchange and interest rates. These instruments, which comprise interest rate swap contracts, foreign currency forward contracts and currency and interest rate swap contract, are not recognised in the consolidated and company financial statements on inception.

Interest rate swap contracts protect the Group from movements in interest rates. Any differential to be paid or received on monthn interest rate swap contracts is recognised as a component of interest expenses as incurred.

Currency and interest rate swap contract protects the Group from movements in exchange rates and interests rates. Any differential in interest rate to be paid or received is recognised as a component of interest expense as incurred.

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

2.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at financial institutions and short-term highly liquid investments with maturities of three months or less from the date of acquisition.

2.6 Trade receivables

Trade accounts receivable are recognised initially at original invoice amount and subsequently measured at the remaining amount less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount and the amount expected to be collectible. Bad debts are recognised in the consolidated and company statements of income as part of administrative expenses.

2.7 Spare parts and supplies

Spare parts and supplies are stated at cost less allowance for obsolescence. Cost is calculated based on the moving average basis. The spare parts are categorised as "specific spare parts", which are used for specific plant equipment in power plants and "common spare parts", which are used for general use.

The allowance for specific spare parts is calculated by dividing the balances of specific spare parts on hand at the year end by the number of years remaining under the Power Purchase Agreements with EGAT Public Company Limited, except capital spare parts whose estimated useful life is more than one year. Carrying amount is considered and when it is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

The allowance for common spare parts is generally provided based on an aging analysis.

2 Accounting policies (continued)

2.8 Other investments

Investments other than investments in subsidiaries and associates and interests in joint ventures are classified into the following three categories: held-to-maturity, available-for-sale and general investments. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

- Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except maturities within 12 months from the balance sheet date which are classified as current assets.
- Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as available-for-sale, and are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.
- Investments in non-marketable equity securities are classified as general investments.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments. Cost of investment includes transaction costs.

Held-to-maturity investments are carried at amortised cost using the effective yield method.

Available-for-sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity.

The fair value of investments is based on the quoted bid price by reference to the Stock Exchange of Thailand and the Thai Bond Dealing Center. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment in securities.

General investments are carried at cost less impairment.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the consolidated and company statements of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated and company statements of income. When disposing of part of the Group's holding of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined by the weight average carrying amount of the total holding of the investment.

2.9 Intangible assets

2.9.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary undertaking or joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries or joint ventures is reported in the consolidated balance sheet as an intangible asset. Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

2 Accounting policies (continued)

2.9 Intangible assets (continued)

2.9.1 Goodwill (continued)

Goodwill arising on acquisitions of the Group is amortised over the periods of Power Purchase Agreements with EGAT Public Company Limited (“EGAT”) (formerly named Electricity Generating Authority of Thailand) and of Water Supply Agreement with Provincial Waterworks Authority (“PWA”), which are between 3.5 and 25 years.

At each balance sheet date the Group assesses whether there is any indication of impairment on separately recognised goodwill. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

2.9.2 Development expenditure

Development expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development expenditure previously recognised as an expense is not recognised as an asset in a subsequent period. Development expenditure that has been capitalised is amortised from the commencement of the commercial operation on a straight-line basis over the power plants’ life.

2.10 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. All plant and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful life, except land which is considered to have an indefinite life, as follows:

	Years
Power plants	15, 18, 20 and 21
Water plants and transmission line	30
Buildings and structures	10 and 20
Substation and transmission system	20 and 21
Operating and maintenance equipment	5
Office equipment, furniture and computers	3, 5 and 10
Motor vehicles	5

Capital spare parts whose estimated useful life is more than one year are capitalised and depreciated using the straight-line method over the estimated useful life when used in major repair and maintenance processes. The capital spare parts which are replaced by the major overhaul will be removed and recorded as spare parts and supplies at the net book value at the date of replacement.

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

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

2 Accounting policies (continued)

2.10 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the consolidated and company statements of income.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of cost of the asset, during the period of time required to complete and prepare the property for its intended use. The borrowing costs include:

- Interest on long-term loans;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- Certain currency translation differences arising from foreign currency borrowings but limited to the amount which would have been incurred had the loan been in Thai Baht.

2.11 Impairment of assets

Property, plant and equipment and other non-financial assets, including goodwill and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Leases

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

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated and company statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.13 Borrowings

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

2 Accounting policies (continued)

2.14 Income taxes

The Group calculates income taxes in accordance with the Revenue Code and records income taxes on an accrual basis. The Group does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the consolidated or company financial statements.

2.15 Employee benefits

The Group operates a provident fund that is a defined contribution plan. The assets of which are held in a separate fund which is managed by the external fund manager. The provident fund is funded by payments from employees and by the relevant Group companies. Contributions to the provident fund are charged to the consolidated and company statements of income in the year to which they relate. However, the Group has not yet provided for employment benefits payable to employees under the Thai Labour Law.

2.16 Provisions

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

2.17 Treasury stock

Treasury stock is carried at cost and shown as a deduction from total shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock". Losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to "Premium on treasury stock" and "Retained earnings" consecutively.

2.18 Revenue recognition

Sales under the Power Purchase Agreements ("PPA") comprise capacity payment and energy payment. Capacity payments are recognised according to the rates and terms set out in the PPA and, energy payment are calculated based on actual electricity delivered. Sales under the Electricity and Steam Sales/Purchase Agreements with industrial users are recognised on delivery of electricity and steam and, customers acceptance. Sales are shown net of sales taxes and discounts, and after eliminating sales within the Group.

Revenue from construction service is recognised using the percentage of completion method. The stage of completion is measured by reference to the relationship contracts costs incurred for work performed to date bear to the estimated total costs for the contract. Revenue from other services is recognised when the services have been rendered in accordance with the terms of the agreements or invoices have been issued.

Interest income is recognised on an accrual basis unless collectibility is in doubt.

Dividend income is recognised when the shareholder's right to receive payment is established.

2.19 Related parties

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

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

Electricity Generating Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the years ended 31 December 2005 and 2004

2 Accounting policies (continued)

2.20 Dividends

Dividends are recorded in the consolidated and company financial statements in the period in which they are approved by the shareholders and the Board of Directors.

2.21 Segment reporting

The segmental reporting has been prepared based on the Company's method of internal reporting, which desegregates its business by geographical areas.

3 Statements of cash flows

Changes in short-term and long-term investments used as collateral are included in the statement of cash flows as cash flows from operating activities because proceeds from sales of electricity must be maintained as short-term and long-term investments used as collateral in accordance with the Master Agreements and loan agreements as described in Note 7.

4 Segment information

Financial information by geographical segment

For the year ended 31 December 2005

	Thailand Baht	Lao People's Democratic Republic Baht	Philippines Baht	Consolidated Baht
Revenue from sales and service income	15,220,370,764	-	801,912,989	16,022,283,753
Cost of sales and services	(7,857,191,432)	-	(293,996,948)	(8,151,188,380)
Segment results	7,363,179,332	-	507,916,041	7,871,095,373
Administrative expenses	(1,125,863,309)	(220,994,071)	(100,143,921)	(1,447,001,301)
Write-off development costs	-	(279,758,722)	-	(279,758,722)
Other income	759,460,207	2,542,223	42,578,184	804,580,614
Currency exchange gains (losses)	(284,667,733)	(3,462,301)	2,735,649	(285,394,385)
Operating profit	6,712,108,497	(501,672,871)	453,085,953	6,663,521,579
Share of profit from an associate and interests in joint ventures	27,061,091	-	-	27,061,091
Interest expenses	(1,788,150,287)	-	(70,966,002)	(1,859,116,289)
Profit (loss) before tax	4,951,019,301	(501,672,871)	382,119,951	4,831,466,381
Income tax	(407,920,954)	-	(67,486,975)	(475,407,929)
Profit (loss) before minority interest	4,543,098,347	(501,672,871)	314,632,976	4,356,058,452
Minority interest	102,871,030	-	160,673,413	263,544,443
Net profit (loss)	4,440,227,317	(501,672,871)	153,959,563	4,092,514,009
Segment assets	57,566,168,971	1,619,085,995	2,064,834,867	61,250,089,833

Segment result in Lao People's Democratic Republic represents the operating results of Nam Theun 2 Power Company Limited, which is a joint venture of the Company. As at 31 December 2005, an investment in such joint venture was accounted for by proportionate consolidation method in the consolidated financial statements (as mentioned in Note 11).

Electricity Generating Public Company Limited
Notes to the Consolidated and Company Financial Statements
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4 Segment information (continued)

Financial information by geographical segment (continued)

For the year ended 31 December 2004	Thailand Baht	Philippines Baht	Consolidated Baht
Revenue from sales and service income	14,902,330,021	717,192,009	15,619,522,030
Cost of sales and services	(7,364,148,319)	(228,513,200)	(7,592,661,519)
Segment results	7,538,181,702	488,678,809	8,026,860,511
Administrative expenses	(1,182,390,106)	(115,424,355)	(1,297,814,461)
A reversal of impairment charge	34,220,274	-	34,220,274
Other income	813,778,591	37,985,171	851,763,762
Currency exchange gains (losses)	73,783,466	(6,679,646)	67,103,820
Operating profit	7,277,573,927	404,559,979	7,682,133,906
Shares of profit from an associate and interests in joint ventures	28,635,828	-	28,635,828
Interest expenses	(2,146,654,996)	(73,274,428)	(2,219,929,424)
Profit before tax	5,159,554,759	331,285,551	5,490,840,310
Income tax	(460,306,303)	(136,272,573)	(596,578,876)
Profit before minority interest	4,699,248,456	195,012,978	4,894,261,434
Minority interest	94,281,454	138,154,683	232,436,137
Net profit	4,604,967,002	56,858,295	4,661,825,297
Segment assets	53,105,459,059	1,960,892,358	55,066,351,417

5 Cash and cash equivalents

As at 31 December 2005, the interest rates on saving accounts were 0.25% to 4% per annum (2004: 0.25% to 1.75% per annum) and the interest rates on deposits held at call with financial institutions were 0.25% to 4.15% per annum (2004: 0.25% to 4% per annum).

6 Short-term investments

Short-term investments comprised deposits at financial institutions and marketable securities.

Deposits at financial institutions

Deposits at financial institutions of the Group mainly comprise deposits at financial institutions and promissory notes issued by local financial institutions. As at 31 December 2005, these investments bore interest at rates from 0.25% to 4.15% per annum (2004: 0.25% to 4% per annum).

Marketable securities

	Consolidated		Company	
	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Available-for-sale				
Debt securities	52,887,054	220,815,684	55,002,814	159,797,124
Changes in fair value of investments	4,286,776	11,426,602	4,286,776	11,426,602
Short-term investments in marketable securities	57,173,830	232,242,286	59,289,590	171,223,726

7 Short-term and long-term investments used as collateral

Subsidiaries of the Company

Deposits at financial institutions used as collateral are those of Rayong Electricity Generating Company Limited (REGCO) and Khanom Electricity Generating Company Limited (KEGCO), and comprise cash reserves required to be maintained under their loan and debenture agreements for the purpose of repayment of principal and payment of interest due within one year, and as a reserve to minimise exchange rate risk. These cash reserves are provided from the proceeds of sales of electricity. As at 31 December 2005, these cash reserves were Baht 760 million (2004: Baht 2,084 million). The remaining balance of short-term and long-term investments used as collateral of Baht 2,650 million (2004: Baht 2,897 million) represented collateralised deposits maintained in accordance with the loan agreements, but which could be used subject to certain lender approvals. During the first quarter of 2005, the lenders allowed REGCO to pledge a letter of guarantee issued for the Company instead of providing the cash reserve for the US Dollar and Thai Baht Debt Service Reserve Accounts (D/R Accounts). As a result, such reserve account was nil as at 31 December 2005. In addition, the lenders allowed KEGCO to pledge the letter of guarantee issued for the Company instead of providing the partial cash reserve for both the US Dollar and Thai Baht Debt Service Reserve Accounts (D/R Accounts) in October 2004.

REGCO had to provide the cash reserve for minimising exchange rate until the account was equal to the lower of 25% of the aggregate outstanding unhedged US Dollar loans or an amount of US Dollars 60 million. During the first quarter of 2005, the lenders allowed REGCO to lower the cash reserve for Foreign Exchange Reserve Account (FX Reserve Account) to US Dollars 1.5 million. As a result, this reserve was US Dollars 1.5 million as at 31 December 2005.

Subsidiaries of Gulf

As at 31 December 2005, deposits at financial institutions used as collateral of Baht 691 million (31 December 2004: Baht 1,006 million) are mainly of five subsidiaries and have been pledged as collateral to secure credit facilities according to long-term loan agreements. However, withdrawals can be made from the pledged accounts to provide working capital in the normal course of business of the subsidiaries after approval by the lenders. The two subsidiaries of Gulf are constructing their power plants and, therefore, have no earnings from sale of electricity. They will provide the reserves when they commence commercial operation.

Short-term investments and long-term investments used as collateral comprise deposits at financial institutions and marketable securities.

Deposits at financial institutions used as collateral

As at 31 December 2005, short-term and long-term deposits under these reserves bore interests at the rates of 1.38% to 4.17% per annum for the foreign currency deposits (2004: 1.5% to 2.33% per annum) and 0.25% to 6.5% per annum for the Thai Baht deposits (2004: 0.25% to 6.5% per annum).

Short-term investments in marketable securities used as collateral

	Consolidated 31 December 2005		
	Available-for-sale Baht	Current portion of investments held-to-maturity Baht	Total Baht
Debt securities	-	26,000,000	26,000,000
Changes in fair value of investments	-	-	-
Short-term investments in marketable securities used as collateral	-	26,000,000	26,000,000

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7 Short-term and long-term investments used as collateral (continued)

Short-term investments in marketable securities used as collateral (continued)

	Consolidated 31 December 2004		
	Available-for-sale Baht	Current portion of investments held-to-maturity Baht	Total Baht
Debt securities	1,230,799,583	41,575,422	1,272,375,005
Changes in fair value of investments	(38,020,999)	-	(38,020,999)
Short-term investments in marketable securities used as collateral	<u>1,192,778,584</u>	<u>41,575,422</u>	<u>1,234,354,006</u>

Long-term investments in marketable securities used as collateral

	Consolidated 31 December 2005		
	Available-for-sale Baht	Held-to-maturity Baht	Total Baht
Debt securities	-	26,000,000	26,000,000
Changes in fair value of investments	-	-	-
Long-term investments in marketable securities used as collateral	<u>-</u>	<u>26,000,000</u>	<u>26,000,000</u>

	Consolidated 31 December 2004		
	Available-for-sale Baht	Held-to-maturity Baht	Total Baht
Debt securities	-	52,000,000	52,000,000
Changes in fair value of investments	-	-	-
Long-term investments in marketable securities used as collateral	<u>-</u>	<u>52,000,000</u>	<u>52,000,000</u>

The above held-to-maturity investments are due within 1 - 2 years.

The Group had engaged an International Fund Manager to manage funds in US Dollar denominated Collateral Accounts. Most funds are invested in long-term marketable debt securities under the investment guidelines stipulated in the loan agreements with the Group's lenders.

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8 Trade receivables, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Trade receivables	308,322,351	304,251,286	-	-
<u>Less</u> Allowance for doubtful receivables	(3,335,000)	(3,335,000)	-	-
Trade receivables, net	<u>304,987,351</u>	<u>300,916,286</u>	-	-

Outstanding trade receivables as at 31 December can be analysed as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Overdue below 3 months	22,715,081	7,321,219	-	-
Overdue 3 – 6 months	35,563,201	222,642	-	-
Overdue 6 – 12 months	5,565,774	402,975	-	-
Overdue over 12 months	7,514,221	3,604,674	-	-
	<u>71,358,277</u>	<u>11,551,510</u>	-	-
<u>Less</u> Allowance for doubtful receivables	(3,335,000)	(3,335,000)	-	-
Trade receivables, net	<u>68,023,277</u>	<u>8,216,510</u>	-	-

9 Spare parts and supplies, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Fuel	392,031,468	355,662,995	-	-
Specific spare parts				
- Capital spare parts	1,456,288,325	1,311,386,023	-	-
- Other specific spare parts	1,922,289,102	1,804,023,233	-	-
Common spare parts	67,493,926	70,680,517	-	-
Spare parts in transit	195,234,685	55,730,694	-	-
	<u>4,033,337,506</u>	<u>3,597,483,462</u>	-	-
<u>Less</u> Allowance for obsolescence	(196,985,613)	(161,013,285)	-	-
Spare parts and supplies, net	<u>3,836,351,893</u>	<u>3,436,470,177</u>	-	-

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10 Long-term investments in marketable securities and others

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Available-for-sale				
Debt securities	317,569,991	360,304,357	337,262,182	372,821,872
Equity securities	1,905,222,903	1,905,222,903	1,905,222,903	1,905,222,903
Changes in fair value of investments	634,263,644	443,617,621	623,512,418	437,352,218
Total long-term investments in marketable securities	2,857,056,538	2,709,144,881	2,865,997,503	2,715,396,993
Other equity securities	2,300,000	12,300,000	2,300,000	12,300,000
Long-term investments in marketable securities and others	<u>2,859,356,538</u>	<u>2,721,444,881</u>	<u>2,868,297,503</u>	<u>2,727,696,993</u>

11 Investments in subsidiaries and an associate and interests in joint ventures, net

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Investments in subsidiaries	-	-	19,948,460,774	15,139,665,256
Investments in an associate	395,380,955	390,914,094	-	-
Interests in joint ventures	7,960,213	7,192,140	4,447,569,057	4,425,325,993
<u>Less</u> Provision for impairment	-	-	(394,406,165)	(394,406,165)
Investments in subsidiaries and an associate and interests in joint ventures, net	<u>403,341,168</u>	<u>398,106,234</u>	<u>24,001,623,666</u>	<u>19,170,585,084</u>

The movements in investments in subsidiaries and an associate and interests in joint ventures can be analysed as follows:

	2005	
	Consolidated	Company
	Baht	Baht
Opening net book value	398,106,234	19,170,585,084
Share of profit from subsidiaries and an associate and interests in joint ventures	27,061,091	4,318,787,532
Dividends received from subsidiaries and a joint venture	(21,826,157)	(4,254,974,532)
Change in fair value of marketable securities available-for-sale of subsidiaries	-	(295,578)
Realised losses from transfer of investments from available-for-sale to held-to-maturity	-	29,410
Amortisation of losses from transfer of investments from available-for-sale to held-to-maturity	-	37,991,589
Capital additions of subsidiaries	-	4,670,577,192
Translation adjustments	-	58,922,969
Closing net book value	<u>403,341,168</u>	<u>24,001,623,666</u>

The percentage of holdings in subsidiaries and an associate and interests in joint ventures is unchanged from 2004.

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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.1 The principal subsidiaries, which are all incorporated in Thailand except EGCO International B.V.I, which is incorporated in the British Virgin Islands, are as follows:

		Company				
		31 December 2005				
Business		Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000
			(Including indirect holding)			
Rayong Electricity Generating Co., Ltd.	Electricity generating	9,220,000	99.99	9,220,000	10,891,245	2,284,408
Khanom Electricity Generating Co., Ltd.	Electricity generating	4,850,000	99.99	4,850,000	6,168,968	1,502,276
EGCO Engineering and Service Co., Ltd. and its subsidiaries and joint venture	Power plant operation and maintenance services	400,000	99.99	400,000	900,985	38,925
- Subsidiaries						
- Agro Energy Co., Ltd.	Trading / delivery services of natural scrap		99.99			
- Egcom Tara Co., Ltd.	Tap water business		70.00			11,223
- Joint venture						
- Amata Power-Esco Service Co., Ltd.	Power plant operation		50.00			
EGCO Green Energy Co., Ltd. and its subsidiary	Investing in biomass fueled electricity generating plant	175,000	74.00	129,500	186,719	12,651
- Roi-Et Green Co., Ltd.	Develop, design, construct and test operation of husk fueled electricity generating plant		95.00			
EGCO International B.V.I	Investing in power energy projects	-	99.99	-	664,312	-
Thai LNG Power Corporation Limited and its subsidiary	Investing in power energy projects	513,000	100.00	513,000	503,017	130,010
- TLP Cogeneration Co.,Ltd.	Electricity generating	1,060,000	80.00	424,000	633,215	275,481
				<u>15,536,500</u>	<u>19,948,461</u>	<u>4,254,974</u>

As at 31 December 2005, dividends receivable amounting to Baht 902 million was recognised in the company financial statements.

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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.1 The principal subsidiaries, which are all incorporated in Thailand except EGCO International B.V.I, which is incorporated in the British Virgin Islands, are as follows: (continued)

		Company				
		31 December 2004				
Business		Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000
		(Including indirect holding)				
Rayong Electricity Generating Co., Ltd.	Electricity generating	4,700,000	99.99	4,700,000	6,565,810	3,104,029
Khanom Electricity Generating Co., Ltd.	Electricity generating	4,850,000	99.99	4,850,000	5,821,158	1,980,882
EGCO Engineering and Service Co., Ltd. and its subsidiary and joint venture	Power plant operation and maintenance services	250,000	99.99	250,000	281,567	56,968
- Subsidiary						
- Agro Energy Co., Ltd.	Trading / delivery services of natural scrap		99.99			
- Joint venture						
- Amata Power-Esco Service Co., Ltd.	Power plant operation		50.00			
Egcom Tara Co., Ltd.	Tap water business	345,000	70.00	398,475	382,613	-
EGCO Green Energy Co., Ltd. and its subsidiary	Investing in biomass fueled electricity generating plant	175,000	74.00	129,500	142,719	-
- Roi-Et Green Co., Ltd.	Develop, design, construct and test operation of husk fueled electricity generating plant		95.00			
EGCO International B.V.I	Investing in power energy projects	-	99.99	-	593,889	-
Thai LNG Power Corporation Limited and its subsidiary	Investing in power energy projects	513,000	100.00	513,000	509,410	-
- TLP Cogeneration Co.,Ltd.	Electricity generating	1,060,000	80.00	424,000	842,499	-
				<u>11,264,975</u>	<u>15,139,665</u>	<u>5,141,879</u>

The investment in Agro Energy Company Limited was accounted for under the equity method but not consolidated in the consolidated financial statements as at 31 December 2005 and 2004 because its financial statements were not material to the Group.

Electricity Generating Public Company Limited
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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.2 Principal movements in investments in subsidiaries occurring during the year ended 31 December 2005

(a) Rayong Electricity Generating Company Limited

On 26 August 2005, Rayong Electricity Generating Company Limited, which is a wholly owned subsidiary of the Company, increased the authorised share capital from 470 million ordinary shares with a par value of Baht 10 per share to 922 million ordinary shares with a par value of Baht 10 per share. The Company held share capital at the same proportion as the original investment.

(b) EGCO Engineering and Service Company Limited

On 16 December 2005, EGCO Engineering and Service Company Limited, which is a wholly owned subsidiary of the Company, increased the authorised share capital from 25 million ordinary shares with a par value of Baht 10 per share to 40 million ordinary shares with a par value of Baht 10 per share. The Company held share capital at the same proportion as the original investment.

(c) Egcom Tara Company Limited

On 16 December 2005, the Company disposed an investment in Egcom Tara Company Limited, which a subsidiary of the Company, to EGCO Engineering and Service Company Limited, which is a wholly owned subsidiary of the Company, amounting to Baht 937 million.

This transaction was incurred under common control. According to the accounting principles, it is an intercompany transaction between group companies, resulting from investment restructuring of the Group. Therefore, there is no any impact on the financial statements.

11.3 The principal associate, which is incorporated in Thailand, is as follows:

Business	Portion of Investment (%)	Consolidated				
		31 December 2005		31 December 2004		
		Cost method Baht'000	Equity method Baht'000	Cost method Baht'000	Equity method Baht'000	
Amata-EGCO Power Limited	Electricity generating	14.85	200,475	395,381	200,475	390,914
			200,475	395,381	200,475	390,914

11.4 The principal joint ventures, which are all incorporated in Thailand, except Conal Holdings Corporation and Nam Theun 2 Power Company Limited, which are incorporated in the Philippines and in the Lao People's Democratic Republic, respectively, are as follows:

Business	Portion of Investment (%)	Consolidated				
		31 December 2005		31 December 2004		
		Cost method Baht'000	Equity method Baht'000	Cost method Baht'000	Equity method Baht'000	
Amata Power-Esco Service Co., Ltd.	Power plant operation	50.00	1,000	7,960	1,000	7,192
Nam Theun 2 Power Company Limited	Electricity generating (construction phase)	25.00	-	-	753,249	-
			1,000	7,960	754,249	7,192

Electricity Generating Public Company Limited
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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.4 The principal joint ventures, which are all incorporated in Thailand, except Conal Holdings Corporation and Nam Theun 2 Power Company Limited, which are incorporated in the Philippines and in the Lao People's Democratic Republic, respectively, are as follows: (continued)

The investments in Amata Power-Esco Service Company Limited was accounted for under the equity method but not proportionately consolidated in the consolidated financial statements as at 31 December 2005 and 2004 because its financial statements were not material to the Group.

During the third quarter of 2005, Nam Theun 2 Power Company Limited commenced the construction of the power plant in the Lao People's Democratic Republic. Accordingly, an investment in Nam Theun 2 Power Company Limited was accounted for under the proportionate consolidation method in the consolidated financial statements as of 31 December 2005 because its financial statements were material to the Group.

		Company				
		31 December 2005				
Business	Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
EGCO Joint Ventures and Development Co., Ltd (EGCO JD)	Investing in power energy business	696,720	50.00	348,360	597,038	-
Gulf Electric Public Co., Ltd.(Gulf)	Investing in power energy business	5,874,040	50.00	3,112,020	3,076,508	-
Conal Holdings Corporation (Conal)	Investing in power energy business	729,320	40.00	1,002,467	774,023	56,002
Nam Theun 2 Power Company Limited	Electricity generating (construction phase)	3,909,951	25.00	753,249	-	-
				<u>5,216,096</u>	<u>4,447,569</u>	<u>56,002</u>
<u>Less</u> Provision for impairment				<u>-</u>	<u>(394,406)</u>	<u>-</u>
				<u>5,216,096</u>	<u>4,053,163</u>	<u>56,002</u>
		Company				
		31 December 2004				
Business	Paid-up share capital Baht'000	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
EGCO Joint Ventures and Development Co., Ltd (EGCO JD)	Investing in power energy business	696,720	50.00	348,360	605,454	48,450
Gulf Electric Public Co., Ltd.(Gulf)	Investing in power energy business	5,874,040	50.00	3,112,020	3,160,610	-
Conal Holdings Corporation (Conal)	Investing in power energy business	729,320	40.00	1,002,467	659,262	57,624
Nam Theun 2 Power Company Limited	Electricity generating (development phase)	10,565	25.00	753,249	-	-
				<u>5,216,096</u>	<u>4,425,326</u>	<u>106,074</u>
<u>Less</u> Provision for impairment				<u>-</u>	<u>(394,406)</u>	<u>-</u>
				<u>5,216,096</u>	<u>4,030,920</u>	<u>106,074</u>

11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.5 Principal movements in interests in joint ventures occurring during the year ended 31 December 2005

The subsidiaries of Gulf

(a) Gulf Yala Green Company Limited

In March 2005, Gulf Yala Green Company Limited increased the authorised share capital from 20 million ordinary shares with a par value of Baht 10 per share to 46 million ordinary shares with a par value of Baht 10 per share. The Group held share capital at the same proportion as its original investment.

(b) Gulf Energy Company Limited

In July 2005, Gulf Energy Company Limited increased the authorised share capital from 202.2 million ordinary shares with a par value of Baht 10 per share to 202.3 million ordinary shares with a par value of Baht 10 per share. The Group held share capital at the same proportion as its original investment.

(c) SPP General Services Company Limited

SPP General Services Company Limited registered for the dissolution with the Ministry of Commerce on 1 April 2005.

A joint venture of EGCO JD

In September 2005, Amata Power (Bangpakong) Limited increased the authorised share capital from 5.60 million ordinary shares with a par value of Baht 100 per share to 10.60 million ordinary shares with a par value of Baht 100 per share and called up for new issued 5 million shares at Baht 50.40. The Group held share capital at the same proportion as its original investment.

11.6 Net liabilities in a joint venture

In the third quarter of 2005 the Company entered into the agreement to provide credit support in the form of Standby Letters of Credit (SBLC) for its agreed equity commitments to Nam Theun 2 Power Company Limited, which is a joint venture of the Company, amounting to US Dollars 94 million (31 December 2004: nil). The Company has accounted for interests in joint ventures under the equity method of accounting in the company financial statements. Accordingly, the Company recognised the excess of loss over the investment amounting to Baht 493 million of the joint venture in the company financial statements as of 31 December 2005 to reflect the extent of its obligation.

The movements in net liabilities arising from interest in the joint venture in the company financial statements for the year ended 31 December 2005 are as follows:

	<u>Company</u> <u>Baht</u>
Opening net book amount	-
Share of loss for the period	(501,672,871)
Translation and adjustment	<u>9,110,749</u>
Closing net book amount	<u>(492,562,122)</u>

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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.6 Net liabilities in a joint venture (continued)

The amount of net liabilities in a joint venture is as follows:

		Company			
		31 December 2005			
Business	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
Nam Theun 2 Power Company Limited	Electricity generating (construction phase)	25.00	753,249	(492,562)	-
		<u>753,249</u>	<u>(492,562)</u>	<u>-</u>	
		Company			
		31 December 2004			
Business	Portion of Investment (%)	Cost Method Baht'000	Equity Method Baht'000	Dividend Baht'000	
Nam Theun 2 Power Company Limited	Electricity generating (development phase)	25.00	753,249	-	-
		<u>753,249</u>	<u>-</u>	<u>-</u>	

11.7 The Group's share of the assets, liabilities, revenues and expenses of the joint ventures is as follow:

Interest in EGCO Joint Venture and Development Company Limited (EGCO JD)

EGCO Joint Venture and Development Company Limited is a joint venture between the Company and Chevron Bang Pakong Power Holding Limited. The joint venture is governed by the Joint Venture Agreement in which the Group has a 50% interest.

Interest in Gulf Electric Public Company Limited (Gulf)

Gulf Electric Public Company Limited (Gulf) is a joint venture between the Company and Electric Power Development Company Limited (EPDC). The joint venture is governed by the Joint Venture Agreement in which the Group has a 50% interest.

Interest in Conal Holdings Corporation (Conal)

Conal Holdings Corporation (Conal) is a joint venture between the Company and Alsons Consolidated Resources, Inc. The joint venture is governed by the Joint Venture Agreement in which the Group has a 40% interest.

Interest in Nam Theun 2 Power Company Limited (NTPC)

Nam Theun 2 Power Company Limited (NTPC) is a joint venture between Government of Lao PDR via Lao Holding State Enterprise (LHSE), EDF International (EDFI), Italian-Thai Development Public Company Limited (ITD) and the Company. The joint venture is governed by the Joint Venture Agreement in which the Group has a 25% interest.

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11 Investments in subsidiaries and an associate and interests in joint ventures, net (continued)

11.7 The Group's share of the assets, liabilities, revenues and expenses of the joint ventures is as follow:
(continued)

The following amounts represent the Group's share of the assets, liabilities, revenues and expenses of the joint ventures included in the consolidated financial statements.

	As at 31 December 2005			
	EGCO Joint Venture and Development Company Limited Million Baht	Gulf Electric Public Company Limited Million Baht	Conal Holdings Corporation Million Baht	Nam Theun 2 Power Company Limited Million Baht
Balance sheets				
Current assets	146	1,631	948	56
Non-current assets	876	10,929	1,116	1,563
Current liabilities	(111)	(3,401)	(354)	(196)
Non-current liabilities	(314)	(6,522)	(654)	(1,916)
Net assets	<u>597</u>	<u>2,637</u>	<u>1,056</u>	<u>(493)</u>
	For the year ended 31 December 2005			
	Million Baht	Million Baht	Million Baht	Million Baht
Profit and Loss				
Revenues	316	3,034	847	2
Expenses	(324)	(3,112)	(693)	(504)
Net profit (loss)	<u>(8)</u>	<u>(78)</u>	<u>154</u>	<u>(502)</u>
Joint venture proportion (%)	50	50	40	25

	As at 31 December 2004		
	EGCO Joint Venture and Development Company Limited Million Baht	Gulf Electric Public Company Limited Million Baht	Conal Holdings Corporation Million Baht
Balance sheets			
Current assets	137	1,591	785
Non-current assets	789	7,238	1,176
Current liabilities	(58)	(789)	(337)
Non-current liabilities	(263)	(5,326)	(824)
Net assets	<u>605</u>	<u>2,714</u>	<u>800</u>
	For the year ended 31 December 2004		
	Million Baht	Million Baht	Million Baht
Profit and Loss			
Revenues	330	2,678	755
Expenses	(225)	(3,194)	(698)
Net profit (loss)	<u>105</u>	<u>(516)</u>	<u>57</u>
Joint venture proportion (%)	50	50	40

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12 Property, plant and equipment, net

Consolidated

	Land Baht	Buildings and land improvements Baht	Power plants, substation, transmission system and water plants Baht	Equipment and motor vehicles Baht	Construction in progress Baht	Total Baht
At 31 December 2004						
Cost	1,895,010,140	3,571,818,877	42,531,068,510	493,852,733	2,104,482,092	50,596,232,352
<u>Less</u> Accumulated depreciation	-	(1,453,732,619)	(17,502,827,750)	(346,007,617)	-	(19,302,567,986)
Provision for impairment	-	-	(10,500,000)	-	-	(10,500,000)
Net book value	<u>1,895,010,140</u>	<u>2,118,086,258</u>	<u>25,017,740,760</u>	<u>147,845,116</u>	<u>2,104,482,092</u>	<u>31,283,164,366</u>
Year ended 31 December 2005						
Opening net book value	1,895,010,140	2,118,086,258	25,017,740,760	147,845,116	2,104,482,092	31,283,164,366
Translation adjustments	1,250,122	539,191	118,738,843	619,876	(5,586,874)	115,561,158
Additions	-	7,212,121	51,792,063	90,023,730	5,544,566,351	5,693,594,265
Capitalisation of capital spare parts	-	-	257,618,702	-	-	257,618,702
Transfer capital spare parts out	-	-	(65,903,234)	-	-	(65,903,234)
Disposals, net	-	-	(587,019)	(6,862,254)	(5,415,472)	(12,864,745)
Transfer	-	4,101,964	77,190,385	293,365	(81,585,714)	-
Impairment charge (Note 21)	-	-	(2,500,000)	-	-	(2,500,000)
Depreciation charge (Note 21)	-	(181,207,719)	(2,284,775,922)	(53,594,386)	-	(2,519,578,027)
Closing net book value	<u>1,896,260,262</u>	<u>1,948,731,815</u>	<u>23,169,314,578</u>	<u>178,325,447</u>	<u>7,556,460,383</u>	<u>34,749,092,485</u>
At 31 December 2005						
Cost	1,896,260,262	3,583,668,790	42,945,530,267	551,741,349	7,556,460,383	56,533,661,051
<u>Less</u> Accumulated depreciation	-	(1,634,936,975)	(19,763,215,689)	(373,415,902)	-	(21,771,568,566)
Provision for impairment	-	-	(13,000,000)	-	-	(13,000,000)
Net book value	<u>1,896,260,262</u>	<u>1,948,731,815</u>	<u>23,169,314,578</u>	<u>178,325,447</u>	<u>7,556,460,383</u>	<u>34,749,092,485</u>

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12 Property, plant and equipment, net (continued)

	Company			
	Land Baht	Buildings and land improvement Baht	Equipment and vehicles Baht	Total Baht
At 31 December 2004				
Cost	284,429,029	619,473,510	183,295,921	1,087,198,460
<u>Less</u> Accumulated depreciation	-	(188,244,062)	(151,705,531)	(339,949,593)
Net book value	<u>284,429,029</u>	<u>431,229,448</u>	<u>31,590,390</u>	<u>747,248,867</u>
Year ended 31 December 2005				
Opening net book value	284,429,029	431,229,448	31,590,390	747,248,867
Additions	-	-	39,041,830	39,041,830
Disposals / Transfer, net	-	-	(4,345,628)	(4,345,628)
Depreciation charge (Note 21)	-	(29,918,028)	(13,467,796)	(43,385,824)
Closing net book value	<u>284,429,029</u>	<u>401,311,420</u>	<u>52,818,796</u>	<u>738,559,245</u>
At 31 December 2005				
Cost	284,429,029	619,473,510	209,298,874	1,113,201,413
<u>Less</u> Accumulated depreciation	-	(218,162,090)	(156,480,078)	(374,642,168)
Net book value	<u>284,429,029</u>	<u>401,311,420</u>	<u>52,818,796</u>	<u>738,559,245</u>

As at 31 December 2005, land, buildings and equipment amounting to Baht 27,570 million have been mortgaged and pledged as collateral in accordance with the loan agreements and debentures, as described in Notes 16 and 17.

Borrowing costs from two subsidiaries of Gulf of Baht 134.9 million (2004: Baht 9.5 million), arising on financing specifically entered into for the construction of new power plants, were capitalised during the year and are included in 'Additions' in the consolidated financial statements. A capitalisation rate of 4.39% (2004: 4.75%) was used representing the actual borrowing cost of the loan used to finance the power plants.

13 Goodwill, net

	Consolidated Baht
Year ended 31 December 2004	
Opening net book value	1,289,033,352
Translation adjustments	(256,990)
Amortisation (Note 21)	(86,958,146)
Impairment charge	(43,286,192)
Closing net book value	<u>1,158,532,024</u>
At 31 December 2004	
Cost	2,043,776,337
Translation adjustments	5,923,504
<u>Less</u> Accumulated amortization	(453,475,460)
Provision for impairment	(437,692,357)
Net book value	<u>1,158,532,024</u>

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13 Goodwill, net (continued)

	<u>Baht</u>
Year ended 31 December 2005	
Opening net book value	1,158,532,024
Translation adjustments	676,703
Amortisation (Note 21)	<u>(76,383,124)</u>
Closing net book value	<u>1,082,825,603</u>
At 31 December 2005	
Cost	2,043,776,337
Translation adjustments	6,600,207
<u>Less</u> Accumulated amortization	(529,858,584)
Provision for impairment	<u>(437,692,357)</u>
Net book value	<u>1,082,825,603</u>

In year 2004, goodwill written off is in respect of Samutprakarn Cogeneration Company Limited and Nong Khae Cogeneration Company Limited, which are wholly owned subsidiaries of the joint venture - Gulf. Subsequent to acquisition and the initial determination of goodwill, adjustment has been made to the fair value of certain receivables acquired, resulting in adjustment being made against goodwill, being a reduction of goodwill of Baht 43 million.

Goodwill amounting to Baht 333 million was incurred from acquisition of 40% interest in subsidiary of the joint venture from a joint partner since 2003 and has not yet been amortised as such company is under the construction.

14 Other non-current assets, net

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Deposits	21,884,327	14,985,738	17,770,291	11,490,166
Refundable tax	12,262,609	158,386,505	3,661,229	5,137,672
Advance to subcontractor	30,600,980	33,709,183	-	-
Land for Bo Nok	347,828,180	347,828,180	-	-
Land for future projects	165,652,626	-	165,652,626	-
Licenses for operating power plants	325,066,976	102,667,967	-	-
Others	89,085,362	56,826,487	5,166,735	11,097,881
	<u>992,381,060</u>	<u>714,404,060</u>	<u>192,250,881</u>	<u>27,725,719</u>
<u>Less</u> Provision for impairment	<u>(59,628,180)</u>	<u>(59,628,180)</u>	<u>-</u>	<u>-</u>
	<u>932,752,880</u>	<u>654,775,880</u>	<u>192,250,881</u>	<u>27,725,719</u>

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15 Long-term loans from a co-investor in a joint venture

	Consolidated		Company	
	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Electric Power Development Co., Ltd				
- Current portion of long-term loans	11,915,049	50,000,000	-	-
- Long-term loans	125,000,000	125,000,000	-	-
Total loans from a co-investor in a joint venture	<u>136,915,049</u>	<u>175,000,000</u>	<u>-</u>	<u>-</u>

Long-term loans from a co-investor in a joint venture bear fixed interest at the rates of 5%, 5.25% and 5.75% per annum for the first three years and at the fixed deposit rate plus a certain margin for subsequent years. Principal and interest are repayable on an annual and monthly basis, respectively.

16 Long-term loans, net

The long-term loans are as follows:

	Consolidated		Company	
	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Current portion of long-term loans, net				
US Dollars	2,653,911,948	2,112,037,902	-	-
Filipino Peso	13,947,858	12,536,587	-	-
Thai Baht	636,343,628	614,669,090	-	-
Japanese Yen	33,973,793	36,656,687	-	-
<u>Less</u> Deferred financing fee	<u>(6,801,660)</u>	<u>(6,627,855)</u>	-	-
	<u>3,331,375,567</u>	<u>2,769,272,411</u>	-	-
Long-term loans, net				
US Dollars	9,510,264,096	10,578,848,773	-	-
Filipino Peso	40,990,349	49,379,450	-	-
Thai Baht	5,775,744,917	4,600,693,232	-	-
Japanese Yen	340,445,720	403,987,227	-	-
<u>Less</u> Deferred financing fee, net	<u>(576,996,424)</u>	<u>(201,806,830)</u>	-	-
	<u>15,090,448,658</u>	<u>15,431,101,852</u>	-	-
Total long-term loans, net	<u>18,421,824,225</u>	<u>18,200,374,263</u>	<u>-</u>	<u>-</u>

After taking account of interest rate swaps, the weighted average effective interest rate exposure of the long-term loans of the Group after taking account of interest rate swap contracts was approximately USD: 8.17% per annum, YEN: 2.91% per annum, PESO: 11.52% per annum and THB: 9.06% per annum.

16 Long-term loans, net (continued)

Long-term loans are secured liabilities. The long-term loans are secured over land, buildings, power plants and equipment of subsidiaries and joint ventures. The subsidiaries and joint ventures have to maintain cash reserves which are provided from the proceeds of sales of electricity for the purpose of repayment of principal and interest due within one year and as a reserve for minimising the exchange risk (referred to Note 7). In addition, the Power Purchase Agreements, the Asset Purchase Agreements, the Major Maintenance Agreements, insurance policies and other related agreements with the lenders have been assigned as collateral in accordance with the conditions under the Master Agreements.

The interest rate exposure on the long-term loans of the Group after taking account of interest rate swap contracts is as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Long-term loans, net				
- at fixed rates	12,881,671,240	11,891,256,755	-	-
- at floating rates	5,540,152,985	6,309,117,508	-	-
Total long-term loans, net	<u>18,421,824,225</u>	<u>18,200,374,263</u>	-	-

The movements in the long-term loans can be analysed as follows:

	Consolidated	Company
	Baht	Baht
For the year ended 31 December 2005		
Opening net book amount	18,200,374,263	-
Additions of long-term loans	2,915,266,902	-
Repayments of long-term loans	(2,790,290,273)	-
Unrealised exchange losses	374,765,299	-
Payments of financing fee	(395,906,184)	-
Amortisation of deferred financing fee	20,902,388	-
Translation adjustments	96,711,830	-
Closing net book amount	<u>18,421,824,225</u>	-

16 Long-term loans, net (continued)

Principal movements in long-term loans during the year ended 31 December 2005 are as follows:

Subsidiaries of Gulf

During the year 2005, the four subsidiaries of Gulf have entered into interest rate swap contracts in order to protect the Group from movements in interest rates. The three subsidiaries have swapped from floating rate to fixed rate at 4.55% to 4.6% per annum for the US Dollars long-term loans, totalling US Dollars 188 million subject to the installation loan principles of each subsidiary. The interest rate swap contracts are effective from 31 August 2005 to 28 February 2020. For the interest rate swap contract of the notional amount at US Dollars 9 million of another subsidiary, it has swapped the interest from the floating rate to fixed rate at 4.02% per annum, if 6-month USD LIBOR is less than or equal to 6%. However, if the 6-month USD LIBOR is more than 6%, the subsidiary shall pay at LIBOR minus 0.25% per annum. The interest rate swap contracts are effective from 7 September 2005 to 7 September 2015.

On 11 November 2005, the subsidiary of Gulf has entered into the Offshore Facilities Agreement with foreign syndicated lenders and JBIC Facility Agreement with Japan Bank of International Corporation (“JBIC”) with a total amount of US Dollars 162 million. These facilities are in place of the existing facilities with local financial institutions of US Dollars 154 million. In addition, under the Amendment Agreement to Onshore Facility Agreement with the Thai lenders the subsidiary has also been provided additional facilities for long-term loans of Baht 6,779 million, facilities for operating of Baht 350 million, and facilities for VAT of Baht 1,065 million. The subsidiary still has to pay the interest at LIBOR plus a certain margin per annum for the US Dollar loans, but receives the fixed discount from the new syndicated lenders. However, the interest rate of Baht loans is still the same at MOR per annum. The subsidiary allocated the collaterals to the new lenders by amending the related agreements such as Amendment to Shareholders Undertaking Agreement and Amendment to Sponsor Undertaking Agreement. Furthermore, the subsidiary also entered into the minor agreements to support the refinancing such as Intercreditor Agreement and Cash Control Agreement.

Joint Venture – Nam Theun 2 Power Company Limited

In the third quarter of 2005 the joint venture – Nam Theun 2 Power Company Limited entered into an interest rate swap contract to convert a floating interest rate based on LIBOR plus a certain margin to fixed interest rates of the US Dollar loans of 91 million. This agreement has been effective since 17 July 2005.

Maturity of long-term loans is as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Within 1 year	3,331,375,567	2,769,272,411	-	-
Later than 1 year and not later than 5 years	8,609,201,522	10,366,824,588	-	-
Later than 5 years	6,481,247,136	5,064,277,264	-	-
	<u>18,421,824,225</u>	<u>18,200,374,263</u>	<u>-</u>	<u>-</u>

Credit facilities

As at 31 December 2005, the available credit facilities for long-term loans from financial institutions were US Dollars 369 million and, Thai Baht 9,752 million and Filipino Peso 429 million (31 December 2004: US Dollars 167.34 million and Thai Baht 5,910 million).

17 Debentures

The debentures are debentures in Thai Baht of two subsidiaries as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Debentures due within one year	1,317,763,760	630,806,000	-	-
Debentures, net	3,608,947,723	4,926,846,523	-	-
Total debentures	4,926,711,483	5,557,652,523	-	-

After taking account of interest rate swaps, the weighted average effective interest rate exposure of the debentures was approximately 11.60% per annum (2004: 12.27% per annum).

Debentures are secured liabilities. The subsidiaries are required to maintain reserves for principal and interest due within one year as described in Note 7 and to pledge the relevant assets and agreements as collateral as described in Note 29.

The movements of debentures can be analysed as follows:

	Consolidated	Company
For the year ended 31 December 2005	Baht	Baht
Opening amount	5,557,652,523	-
Issue of debentures	-	-
Repayments of debentures	(630,941,040)	-
Closing amount	4,926,711,483	-

Maturity of debentures is as follows:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Within 1 year	1,317,763,760	630,806,000	-	-
Later than 1 year but not later than 5 years	3,121,289,927	3,516,419,427	-	-
Later than 5 years	487,657,796	1,410,427,096	-	-
Total	4,926,711,483	5,557,652,523	-	-

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18 Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Premium on share capital Baht	Total Baht
At 1 January 2004	526,465,000	5,264,650,000	8,601,300,000	13,865,950,000
Issue of shares	-	-	-	-
At 31 December 2004	526,465,000	5,264,650,000	8,601,300,000	13,865,950,000
Issue of shares	-	-	-	-
At 31 December 2005	<u>526,465,000</u>	<u>5,264,650,000</u>	<u>8,601,300,000</u>	<u>13,865,950,000</u>

The total authorised number of ordinary shares is 530,000,000 shares with a par value of Baht 10 per share (2004: 530,000,000 shares with a par value of Baht 10 per share). Ordinary share of 526,465,000 shares are issued and fully paid up.

19 Legal reserve

	Consolidated		Company	
	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Opening balance	530,000,000	530,000,000	530,000,000	530,000,000
Appropriation during the year	-	-	-	-
Closing balance	<u>530,000,000</u>	<u>530,000,000</u>	<u>530,000,000</u>	<u>530,000,000</u>

Under the Public Companies Act B.E.2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable.

20 Minority interest

	Consolidated		Company	
	2005 Baht	2004 Baht	2005 Baht	2004 Baht
Opening balance	981,691,358	858,591,957	-	-
Additional paid-up share capital of subsidiaries and subsidiaries of a joint venture	1,512,308	-	-	-
Shares of net profit of subsidiaries and subsidiaries of joint ventures	263,544,443	232,436,137	-	-
Change in fair value of investment	(144,823)	3,175	-	-
Translation adjustments	(1,734,133)	312,489	-	-
Dividend payment of subsidiaries of a joint venture	(171,699,966)	(109,652,400)	-	-
Closing balance	<u>1,073,169,187</u>	<u>981,691,358</u>	<u>-</u>	<u>-</u>

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21 Net profit

The following items have been charged in arriving at net profit:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Depreciation on property, plant and equipment (Note 12)	2,519,578,027	2,439,556,994	43,385,824	52,970,217
Amortisation of goodwill (Note 13)	76,383,124	86,958,146	-	-
Major repair and maintenance expense	815,986,778	843,729,993	-	-
Staff costs	977,910,328	782,740,551	187,577,503	170,201,542
Impairment charge (Notes 12)	2,500,000	10,500,000	-	-
A reversal of an impairment loss	-	(44,720,274)	-	-

22 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, net of treasury stock.

	Consolidated		Company	
	2005	2004	2005	2004
Net profit attributable to shareholders (Baht)	4,092,514,009	4,661,825,297	4,092,514,009	4,661,825,297
Number of ordinary share in issue (share)	525,985,847	526,465,000	525,985,847	526,465,000
<u>Less</u> Treasury stock (share)	-	(1,300,000)	-	(1,300,000)
Weighted average number of ordinary share in issue (share)	525,985,847	525,164,200	525,985,847	525,164,200
Basic earnings per share (Baht)	7.78	8.88	7.78	8.88

There are no dilutive potential ordinary shares in issue during the periods presented, so no diluted earnings per share is presented.

23 Dividends

The Annual General Shareholders' meeting on 25 April 2005 approved the payment of dividends in respect of the operating results for the second half of the year ended 2004 for 525,164,200 shares at Baht 1.50 per share, totalling Baht 788 million. These dividends were paid to the shareholders in May 2005 (2004: Dividends for 525,164,200 shares of Baht 1.50 each, totalling Baht 788 million).

The Board of Directors' meeting on 22 August 2005 approved the payment of an interim dividend in respect of the operating results for the six-month period ended 30 June 2005 for 526,465,000 shares at Baht 1.50 per share, totalling Baht 790 million. These dividends were paid to shareholders in September 2005. (2004: Dividends for 525,164,200 shares of Baht 1.50 per share, totalling Baht 788 million).

In addition, the Company reversed long-outstanding dividend payable, payable to foreign investors, who were unable to exercise rights to receive such dividends amounting to approximately Baht 10 million during this year (2004: Baht 22 million).

24 Directors' remuneration

Directors' remuneration in the consolidated and company statements of income for the year ended 31 December 2005 amounted to Baht 30 million and Baht 17 million, respectively, comprised meeting fees and bonus. Expenses were approved at the Annual General Meeting of Shareholders (2004: Baht 22 million and Baht 17 million in the consolidated and company statements of income, respectively).

25 Employee benefits

The Group has provident funds for those employees who apply to join. The contributions comprise the employees and the Group's contributions at the same rate. The funds are managed by authorised fund managers in accordance with the Provident Fund Act B.E. 2530.

26 Promotional privileges

Rayong Electricity Generating Company Limited (REGCO), Khanom Electricity Generating Company Limited (KEGCO), TLP Cogeneration Company Limited (TLP Cogen), Egcom Tara Company Limited (TARA) and Roi-Et Green Company Limited (Roi-Et), which are the Company's subsidiaries, have received promotional privileges from the Office of the Board of Investment under promotion certificates issued on 15 June 1995, 6 November 1996, 7 June 1999, 6 December 2000 and 19 October 2001, respectively, in respect of generating electricity and tap water. Under these privileges, these subsidiaries have received exemption from certain taxes and duties as detailed in the certificates including exemption from corporate income tax for a period of 8 years from the date of first earning revenue. As a promoted entity these subsidiaries are required to comply with the terms and conditions as specified in the promotion certificates.

The promotional privileges of REGCO and KEGCO with regard to the 8-year corporate income tax exemption expired on 20 April 2004 and 26 September 2005, respectively. Consequently, REGCO and KEGCO are eligible for corporate income taxes at the rate of 50% of the normal corporate income rate for a period of 5 years beyond the 8-year corporate income tax exemption.

Five subsidiaries of Gulf have been granted promotional privileges by the Office of the Board of Investment for the generation and distribution of electricity. Under these privileges, these subsidiaries have received exemption from corporate income tax for a period of 8 years from the date of first earning revenue from the promoted activities. As a promoted entity these subsidiaries are required to comply with the terms and conditions as specified in the promotion certificates.

Nam Theun 2 Power Company Limited has been granted promotional privileges by the Government of the Lao People's Democratic Republic for a number of tax exemptions and preferential tax rate. These preferential rates and exemptions are granted to a joint venture for a period of 5 years from the Commercial Operations Date and thereafter gradually increasing subject to a maximum rate of 30%.

27 Financial instruments

The principal financial risks faced by the Group are interest rate and exchange rate risks. The Group borrows at both fixed and floating rates of interest and exchange to finance its operations.

The objectives of using derivative financial instruments are to reduce the uncertainty over future cash flows arising from movements in interest and exchange rates, and to manage the liquidity of cash resources. Interest rate exposures are managed through interest rate swap contracts, foreign currency forward contracts and currency and interest rate swap contracts as stated in Note 27 (a). In respect of currency exchange risk, this is minimised through the formulae for the calculation of sales of electricity charged to EGAT and National Power Corporation (NPC) as described in Note 28 (a).

Trading for speculative purposes is prohibited. All derivative transactions are subject to approval by the Group Management Committee before execution. Decisions on the level of risk undertaken are confined to the Group Management Committee, which has established limits by transaction type and by counter party.

(a) Financial assets and liabilities

As at 31 December, the Group has outstanding foreign currency assets and liabilities after taking account of foreign currency forward contracts and currency swap contracts as follows:

	Consolidated		2005	
	Currency	Million	Currency	Company
	Million	Baht	Million	Million
				Baht
Assets				
US Dollars	13.16	538.93	-	-
Euro	11.52	557.90	-	-
CHF	29.82	927.66	-	-
Japanese Yen	304.48	105.60	-	-
		<u>2,130.09</u>		<u>-</u>
Liabilities				
US Dollars	371.95	14,697.35	-	-
Euro	14.78	723.20	-	-
CHF	38.26	1,203.37	-	-
Japanese Yen	1,402.96	492.56	-	-
		<u>17,116.48</u>		<u>-</u>
				2004
				Consolidated
				Company
	Currency	Million	Currency	Million
	Million	Baht	Million	Baht
Assets				
US Dollars	115	4,461	12	465
Euro	0.3	16	-	-
		<u>4,477</u>		<u>465</u>
Liabilities				
US Dollars	342	14,620	-	-
Japanese Yen	1,163	441	-	-
		<u>15,061</u>		<u>-</u>

27 Financial instruments (continued)

(a) Financial assets and liabilities (continued)

As at 31 December, the Group has outstanding foreign currency assets and liabilities after taking account of foreign currency forward contracts and currency swap contracts as follows: (continued)

Foreign currency assets represent cash and cash equivalents, trade receivables, US Dollar deposits with financial institutions and investments in US Dollar for the future payments of foreign currency liabilities. Foreign currency liabilities represent trade payables, other payables, interest payable and long-term loans.

As at 31 December 2005 the Group has not entered into any foreign currency forward contracts to cover its exchange risk to long-term loans in US Dollar, which net of deposits in US Dollar amounted to US Dollars 265 million (2004: US Dollar 195 million).

Objectives and significant terms and conditions

In order to manage risks arising from fluctuations in interest rates and currency exchange rates, the Group uses the following derivative financial instruments.

Interest rate swap contracts

Interest rate swap contracts are entered into to manage exposures to fluctuations in interest rates on specific transactions. As at 31 December 2005 the fixed interest rates under the swaps for long-term loans and credit facilities are as follows:

Foreign Currency	Contract amounts (millions)		Fixed Exchange Rates	
	2005	2004	2005	2004
US Dollars	374.92	83	4.02% - 8.03%	8.03%
Thai Baht	1,025.08	330	3.75% - 8%	8%

The remaining notional principal amounts of the outstanding interest rate swap contracts at 31 December were:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Within 1 year	1,427,924,138	941,209,500	-	-
Later than 1 year	6,034,767,389	2,622,996,750	-	-
	<u>7,462,691,527</u>	<u>3,564,206,250</u>	<u>-</u>	<u>-</u>

Currency and interest rate swap contract

A swap contract is entered into to manage exposure to fluctuations in foreign currency exchange and interest rates on specific transactions. As at 31 December 2005, the long-term loans of US Dollars 38 million have a fixed exchange rate of Baht 25.23 per US Dollar 1 (2004: US Dollars 50 million was fixed at Baht 25.23 per US Dollar 1) and a fixed interest rate of 11% per annum (2004: 11% per annum). The agreement is effective from 19 June 1996 to 14 June 2008.

27 Financial instruments (continued)

(a) Financial assets and liabilities (continued)

The remaining notional principal amounts of the outstanding currency and interest rate swap contract at 31 December were:

	Consolidated		Company	
	2005	2004	2005	2004
	Baht	Baht	Baht	Baht
Within 1 year	353,220,000	302,760,000	-	-
Later than 1 year	605,520,000	958,740,000	-	-
	<u>958,740,000</u>	<u>1,261,500,000</u>	<u>-</u>	<u>-</u>

Foreign currency forward contracts

Five subsidiaries of Gulf have entered into the foreign currency forward contracts to minimise exchange rate risk relating to the long-term loans in foreign currencies, Construction Contract and Supply Contract. As at 31 December 2005, the fixed rates under the foreign currency forward contracts and the maturities of the contracts are as follows: (2004: fixed rates of US Dollars 3.83 million varied between Baht 39.02 to Baht 41.53 per US Dollar 1).

Foreign Currency Forward Contracts	Foreign Currencies purchased	Outstanding contract amounts (millions)	Fixed Exchange Rates	Contract Periods
Baht	US Dollars	7.47	39.19 to 39.76 Baht/ US Dollar 1	11 January 2005 – 14 January 2008
Baht	US Dollars	28.93	39.33 to 40.93 Baht/ US Dollar 1	11 January 2005 – 9 April 2008
Baht	US Dollars	0.89	41.01 to 41.17 Baht/ US Dollar 1	1 September 2005 – 7 March 2006
Baht	Euros	10.82	51.38 to 53.45 Baht/ Euro 1	11 January 2005 – 14 January 2008
Baht	CHF	30.46	34.04 to 36.80 Baht/ CHF 1	11 January 2005 – 14 January 2008
US Dollars	Euros	38.56	1.19 to 1.33 US Dollars/ Euro 1	18 January 2005 – 2 October 2006
US Dollars	CHF	99.83	1.14 to 1.30 CHF/ US Dollar 1	20 January 2005 – 2 October 2006
US Dollars	Yen	304.48	102.53 to 104.40 Yen/ US Dollar 1	29 November 2005 – 15 June 2006
US Dollars	Baht	9.89	40.58 Baht/ US Dollar 1	29 November 2005 – 18 January 2006

A joint venture of EGCO JD has entered into the foreign currency forward contracts to minimise exchange rate risk relating to Supply Contract. As at 31 December 2005, the Group has outstanding foreign currency forward contracts of US Dollars 3.31 million at fixed rate of Baht 41.285 per US Dollar 1. The maturities of the contracts are between 2 – 15 months.

(b) Credit risk

The Group has no significant concentrations of credit risk relating to its cash and investments. The Group places its cash and investments with high quality institutions. The Group's policy is designed to limit exposure with any one institution and to invest its excess cash in low risk investment accounts. The Group has not experienced any losses on such accounts.

27 Financial instruments (continued)

(c) Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair values: cash and cash equivalents, investments, trade receivables and payables, amounts due from and due to related companies, other receivables and payables, and short-term loans due to the short maturities of these instruments.

The contract amounts and fair values of certain long-term loans and debentures are as follows:

	31 December 2005			
	Consolidated		Company	
	Contract amounts	Fair values	Contract amounts	Fair values
	Million Baht	Million Baht	Million Baht	Million Baht
Long-term loans	19,005	19,185	-	-
Debentures	4,927	5,608	-	-

	31 December 2004			
	Consolidated		Company	
	Contract amounts	Fair values	Contract amounts	Fair values
	Million Baht	Million Baht	Million Baht	Million Baht
Long-term loans	18,409	19,243	-	-
Debentures	5,558	6,820	-	-

The fair value of long-term loans with fixed interest rate has been calculated using rates quoted by the Group's bankers to terminate the contracts at the balance sheet date. The fair value of long-term loans with floating interest rates approximates their carrying amount.

The fair values of debentures are estimated by discounting the future contractual cash flows at the market interest rate available on the latest trading date in the Bond Dealing Center quoted bid price within the balance sheet date.

The fair values of the derivative financial instruments at the balance sheet are as follows:

For the year ended 31 December	Consolidated		Company	
	2005	2004	2005	2004
	Million Baht	Million Baht	Million Baht	Million Baht
Favourable (Unfavorable) interest rate swaps	18	(258)	-	-
Favorable currency and interest rate swap	546	520	-	-
Unfavorable foreign currency forward contracts	(621)	-	-	-

The fair values of interest rate swap contracts, currency and interest rate swap contract and foreign currency forward contracts have been calculated using rates quoted by the Group's bankers to terminate the contracts at the balance sheet date, except for the contract that prohibits early termination. The fair value of such contract approximates the original contract.

28 Related party transactions

Major shareholders of the Company are the EGAT Public Company Limited ("EGAT") (formerly named Electricity Generating Authority of Thailand) and CLP Power Projects (Thailand) Limited. They hold 25.41% and 22.42%, of the Company's shares, respectively. The remaining Company shares are widely held.

The information on the Company's subsidiaries, an associate, and joint ventures is stated in Note 11.

The following material transactions were carried out with related parties:

(a) Sales of electricity

For the years ended 31 December	Consolidated		Company	
	2005	2004	2005	2004
	Million Baht	Million Baht	Million Baht	Million Baht
Sales of electricity				
- EGAT Public Company Limited	13,164	13,105	-	-

Subsidiaries of the Company

Two subsidiaries of the Company, Rayong Electricity Generating Company Limited (REGCO) and Khanom Electricity Generating Company Limited (KEGCO), have entered into Power Purchase Agreements (PPAs) with EGAT. The agreements are effective for periods of 15 and 20 years, respectively. According to the resolutions of the Cabinet meetings dated 15 February 1994 with REGCO and 23 January 1996 with KEGCO, the electricity revenues from such agreements are calculated on a "Cost plus basis". There is a limitation on sales of electricity to third parties as specified in the agreements. These agreements have been pledged as collateral with the subsidiaries lenders under the Master Agreements.

In addition, these two subsidiaries are eligible to take into consideration and receive compensation for exchange rate effects by adjusting the formulae for calculation of electricity sold to EGAT each month pertaining to "The First Amendment to the Power Purchase Agreements" dated 30 January 1998 over the periods of the PPAs. Compensation for the years ended 31 December 2005 and 2004 amounted to Baht 744 million and Baht 1,007 million, respectively.

Under the PPAs, EGAT has to bear the natural gas cost until the subsidiaries enter into natural gas purchase agreements with PTT Public Company Limited. To date, the subsidiaries have not entered into such purchase agreements. Therefore, the calculation of revenues from the portion of energy sales of electricity does not include a calculation of the natural gas cost.

Subsidiaries of Gulf

Three subsidiaries of Gulf have entered into Power Purchase Agreements (PPAs) with EGAT. According to the agreements, these subsidiaries must start to sell electricity to EGAT by September 1998, August 1999 and October 2000, with the sales quantity and electricity rates in compliance with the agreements. These agreements are effective for a period of 21 years each, commencing from the first commercial operation dates.

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28 Related party transactions (continued)

(b) Service income

For the years ended 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
Service income				
- EGAT Public Company Limited	32	84	-	-

EGCO Engineering and Service Company Limited has entered into Subcontract for Major Maintenance Agreements with EGAT to provide major maintenance services, repair services, administrative services, and additional services related to the power plants. The compensation for such services is calculated on a "Cost plus Basis". The agreements are effective for a period of 6 years commencing from 26 January 2001 and 26 July 2002.

(c) Major maintenance expenses

For the years ended 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
Major maintenance expenses				
- EGAT Public Company Limited	257	482	-	-

Two subsidiaries of the Company, REGCO and KEGCO, have entered into Major Maintenance Agreements with EGAT in order for the latter to provide major maintenance services, repair services, administrative services and additional services related to the subsidiaries' power plants. The price for such services is calculated under the agreements on a "Cost plus basis" and will be adjusted annually according to the Consumer Price Index. The agreements have been extended for a period of 6 years, commencing from 7 December 2000 and 19 June 2002 for REGCO and KEGCO, respectively. These agreements have been pledged as collateral with the lenders under the Master Agreements.

(d) Trade receivable from and trade payable to a related party

As at 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
Trade receivable				
- EGAT Public Company Limited	2,249	2,058	-	-

Outstanding trade receivable as at 31 December can be analysed as follows:

Overdue below 3 months	-	16	-	-
Overdue 3-6 months	2	-	-	-
Overdue 6-12 months	-	2	-	-
Overdue over 12 months	3	1	-	-
	<u>5</u>	<u>19</u>	<u>-</u>	<u>-</u>
Trade payable				
- EGAT Public Company Limited	88	156	-	-

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28 Related party transactions (continued)

(e) Amounts due from and amounts due to related parties

As at 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
<u>Amounts due from related parties</u>				
- EGAT Public Company Limited.	6	-	6	-
<u>Subsidiaries</u>				
- Khanom Electricity Generating Co., Ltd.	4	4	7	2
- EGCO Engineering and Service Co., Ltd.	3	2	-	-
- Roi-Et Green Co., Ltd.	-	-	1	-
<u>Joint ventures</u>				
- EGCO Joint Ventures and Development Co., Ltd.	2	17	-	-
- Conal Holdings Corporation	2	5	-	-
- Nam Theun 2 Power Company Limited	109	19	146	19
<u>Associate</u>				
- Amata-EGCO Power Co., Ltd.	-	13	-	13
	<u>126</u>	<u>60</u>	<u>160</u>	<u>34</u>
<u>Amounts due to related parties</u>				
<u>Subsidiary</u>				
- Egcom Tara Co., Ltd.	5	6	-	-
- Roi-Et Green Co., Ltd.	-	-	2	-
<u>Joint ventures</u>				
- EGCO Joint Venture and Development Co., Ltd.	30	7	-	-
- Conal Holdings Corporation	20	16	-	-
	<u>55</u>	<u>29</u>	<u>2</u>	<u>-</u>

(f) Loan to related parties

As at 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
Subsidiary				
Beginning balance	-	-	-	-
Loans advanced during the year	-	-	780	-
Loan repayments received during the year	-	-	-	-
Ending balance	<u>-</u>	<u>-</u>	<u>780</u>	<u>-</u>

28 Related party transactions (continued)

(f) Loan to an associate and joint ventures

As at 31 December	Consolidated		Company	
	2005	2004	2005	2004
	Million Baht	Million Baht	Million Baht	Million Baht
Associate				
Beginning balance	32	32	32	32
Loans advanced during the year	-	-	-	-
Loan repayments received during the year	(32)	-	(32)	-
Ending balance	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
Joint ventures				
Beginning balance	640	-	815	-
Loans advanced during the year	474	640	474	815
Loan repayments received during the year	(1,009)	-	(1,047)	-
Realised currency exchange gains during the year	32	-	32	-
Ending balance	<u>137</u>	<u>640</u>	<u>274</u>	<u>815</u>

The Company entered into a Credit Facility Agreement with Gulf Electric Public Company Limited (Gulf) on 24 February 2004 to provide a term loan in an amount of Baht 450 million to Gulf for the prepayment of long-term loan with a local commercial bank. The repayment terms and conditions under such Credit Facility Agreement are the same as original loan.

The Company has also entered into a Sponsors Loan Agreement with Nam Theun 2 Power Company Limited (NTPC), dated 19 December 2003 to provide a sponsor loan for the Nam Theun 2 Hydroelectric project in the total amount of US Dollars 24 million. The sponsor loan bears interest at LIBOR plus a certain margin. The repayment date of such loan together with interest is the earlier of 24 months from the signing date of this agreement and the date of the first drawdown, and the issuance of a notice declaring the outstanding loans made by non-defaulting shareholders. The agreement was amended on 29 April 2005 to determine the repayment of interest in a total amount of US Dollar 2.25 million, being a portion of the Company at US Dollar 0.75 million. The Company shall receive the repayment of interest within 30 days after the first drawn down of loans from the lenders. The Company has received all principal amount and the related interest in June 2005.

The loan to an associate was given on commercial terms and conditions. The repayment of principal and interest of this loan was made in the whole amount during the year 2005.

28 Related party transactions (continued)

(g) Investments in debentures issued by a subsidiary and the Company's debentures held by the subsidiaries and related interests

As at 31 December	Consolidated		Company	
	2005 Million Baht	2004 Million Baht	2005 Million Baht	2004 Million Baht
Investments in debentures				
- Khanom Electricity Generating Co., Ltd.	-	-	42	47
Interest receivable				
- Khanom Electricity Generating Co., Ltd.	-	-	-	1
For the years ended 31 December				
Interest income on investments in debentures of				
- Khanom Electricity Generating Co., Ltd.	-	-	9	9
Interest expenses on the Company's debentures held by				
- Rayong Electricity Generating Co., Ltd.	-	-	-	1
- Khanom Electricity Generating Co., Ltd.	-	-	-	5

29 Commitments and contingent liabilities

Commitments and contingent liabilities of the Company

- (a) As at 31 December 2005, the Company has commitments under Sponsor Support Agreements, which were made in respect of loans of subsidiaries and an associate totalling Baht 630 million.
- (b) As at 31 December 2005, the Company has commitments under Counter Guarantee and Standby Letters of Credit issued on behalf of the Company to a subsidiary and joint ventures of Baht 9,965 million.
- (c) As a credible, high-quality company, the Company is committed to administering its obligations in compliance with good corporate governance. The contingent liabilities are considered, in term of default risk, into two categories: low risk and high risk liabilities. The Company has, accordingly, set up a reserve fund of 10% of high risk liabilities totalling Baht 407 million. The Company fully reserved such fund in 2004. This cash reserve was included in cash and cash equivalents in the balance sheet as at 31 December 2005.

29 Commitments and contingent liabilities (continued)

Commitments and contingent liabilities of joint ventures (continued)

Joint venture – EGCO Joint Venture and Development Company Limited (EGCO JD)

During the year 2005, EGCO JD entered into three agreements, which are Expansion Project Shareholder Support Agreement, Pledge of Shareholder Permitted Investments and Pledge of Expansion Project Shares to support the loans provided to the project company to expand its power plant capacity. According to such agreements, EGCO JD agrees to pledge the new shares issued for the expansion of the power plant as collateral with the financial institution lender. In addition, during the construction, EGCO JD as a shareholder agrees to provide cash reserve support, according to its shareholding proportion, with the financial institution lender amounting to Baht 60 million. Thereafter, EGCO JD is also required to provide reserve support, according to its shareholding proportion, to cover approximately Baht 50 million of the Debt Service Reserve Account and Maintenance Reserve Account of the project.

Joint venture – Nam Theun 2 Power Company Limited (NTPC)

In year 2005 NTPC entered into the Commercial Securities Facility Agreement with financial institutions to provide the letters of guarantee of US Dollars 28.75 million to EGAT Public Company Limited under the conditions of the Power Purchase Agreement. Additionally, NTPC has entered into the Facility Agreement with the financial institutions to provide the Standby Letters of Credit amounting of US Dollars 1.25 million to the government of the Lao People's Democratic Republic (Lao PDR) according to the concession agreement with the Lao PDR.

Significant agreements

Power Purchase Agreements (PPAs) and Energy Conversion Agreements (ECAs)

The subsidiaries of the Company, of Gulf and joint ventures of EGCO JD have entered into Power Purchase Agreements (PPAs) with the Electricity Generating Authority of Thailand (EGAT) for periods between 15-25 years. According to the PPAs, these subsidiaries have to provide securities, totalling Baht 671 million, in the form of bank guarantees against the early cancellation of, and conformity with, the agreements. The collateral is to be returned to such subsidiaries upon the expiry of the agreements.

Under the ECAs with the National Power Corporation (NPC) entered into by the subsidiaries of Conal which are effective for periods of 10-18 years, a subsidiary of Conal shall transfer to NPC all its rights, title and interest in the power stations without any compensation upon the expiration of the specified periods in the agreements. The ECAs of another two subsidiaries may be renewed upon the sole option of NPC. All aforementioned subsidiaries are eligible to receive the compensation amounts from NPC, in the event of amendment, modification or repeal of any Filipino laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect these subsidiaries' interest in the project or the power plant/station, and/ or these subsidiaries' economic return on their investments.

Water Supply Agreement

A subsidiary of the Company has entered into a water supply agreement with the Provincial Waterworks Authority (PWA) for a period of 30 years. Under the agreement, the subsidiary has to produce water for sale to Ratchaburi and Samut Songkram Waterworks. PWA has the obligation to purchase water at the minimum volume and price as agreed.

29 Commitments and contingent liabilities (continued)

Significant agreements (continued)

Fuel Purchase Agreements

Subsidiaries of the Company, of Gulf and joint ventures of EGCO JD have entered into the gas purchase agreements with PTT Public Company Limited. These agreements are effective for periods between 16-26 years and can be extended for another 4-5 years.

A subsidiary of the Company has entered into the sales/ purchase of heavy fuel oil agreement with PTT Public Company Limited. The agreement shall be effective for a period of 3 years from 1 January 2005 to 31 December 2008 and can be extended by one year automatically (in the event that there is no cancellation of the automatic extension). In addition, the other subsidiary of the Company has also entered into a Fuel Supply Agreement (Rice Husk) with a related company. The agreement is effective for a period of 21 years.

A subsidiary of Gulf has entered into a Fuel Supply Agreement with one of its shareholders. The agreement is effective for a period of 25 years.

Long-Term Parts Agreements

The two subsidiaries of the Company have entered into long-term parts agreements with a supplier. Under the agreements, the subsidiaries have committed to purchase a number of gas turbines as specified in the agreements. The agreements, totalling US Dollars 58 million, are each effective for a period of 6 years. As at 31 December 2005, the total outstanding contract balances were US Dollars 10 million.

Operation and Maintenance Agreements

A subsidiary of the Company has entered into an operation and maintenance agreement for gas turbines with a customer. The agreement, totalling Baht 20 million is effective for a period of 4 years. In addition, the subsidiary has also entered into a supply of spare parts and maintenance services agreement with Republic of Sudan National Electricity Corporation, totalling US Dollars 8 million, which is effective from the execution date to March 2007.

As at 31 December 2005, the three subsidiaries of Gulf have outstanding commitments of US Dollars 25.39 millions under the Amended and Restated Contracts relating to being supplied of parts and services for gas turbine-generators and inclusive of major maintenance services with a supplier.

Capital expenditure

The two subsidiaries of Gulf have entered into the EPC Contract, Construction Contract and Supply Contract. Total contracts, totalling US Dollars 75.76 million, CHF 161.22 million, Euros 62.27 million, Japanese Yen 29.94 million and Baht 1,747.68 million, are effective for a periods of 2.5 to 3.5 years. As at 31 December 2005, the Group had outstanding capital expenditure contracted but not recognised in the consolidated financial statements for the total amount of US Dollars 49.64 million, CHF 98.50 million, Euros 37.11 million, Japanese Yen 18.62 million and, Baht 1,232.37 million.

A joint venture of EGCO JD has entered into the Construction Contract and Supply Contract. Total contracts, totalling US Dollars 4.8 million and Baht 59.33 million, are effective for a period of 2 years. As at 31 December 2005, the Group had outstanding capital expenditure contracted but not recognised in the consolidated financial statements for the total amount of US Dollars 3.3 million and Baht 43.08 million.

29 Commitments and contingent liabilities (continued)

Significant agreements (continued)

Capital expenditure (continued)

A joint venture – Nam Theun 2 Power Company Limited has entered into the Construction Contract and Supply Contract. Total contracts, totalling US Dollars 176.34 million, are effective for a period of 4 years. As at 31 December 2005, the Group had outstanding capital expenditure contracted but not recognised in the consolidated financial statements for the total amount of US Dollars 140.75 million.

30 Privatisation

Thailand

On 22 April 2004, the National Energy Policy Committee (NEPC) approved the establishment of the regulatory body for the electricity industry (Electricity Commission of Thailand, ECT). And on 22 November 2005, the cabinet approved the appointment of the interim power regulatory committee. This committee is a temporary body pending the establishment of a permanent regulatory structure pursuant to the passage of the Electricity Act.

On 24 June 2005, EGAT filed for company registration with the registrar of the Department of Business Development, Ministry of Commerce after the Royal Decree on the conversion of EGAT's status from state enterprise into a public company limited and the Royal Decree on the authority and rights of the new EGAT Public Company Limited were proclaimed in the Royal Gazette on 23 June 2005. However, EGAT Public Company Limited planned listing on the Stock Exchange of Thailand (SET) was delayed following a ruling by the Supreme Administrative Court (SAC) that suspended the initial public offering of EGAT's shares until the SAC passes its judgment.

As at 31 December 2005, the impact of the regulatory on the Group cannot presently be determined.

The Philippines

The Electric Power Industry Reform Act of 2001 (the Act) became effective on 26 June 2001, providing for the privatisation of the National Power Corporation (NPC) and the restructuring of the electric power industry. Subsequently, additional laws with regard to the NPC privatisation were announced and became effective on 22 March 2003. Actions are currently being taken to implement the rules and regulations stipulated in the Act. As at 31 December 2005, the effects of the laws on the Group cannot presently be determined.