

ITV PUBLIC COMPANY LIMITED

**CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS**

31 DECEMBER 2006

AUDITOR'S REPORT

To the Shareholders of ITV Public Company Limited

I was engaged to audit the accompanying consolidated and company balance sheet as at 31 December 2006, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year then ended of ITV Public Company Limited and its subsidiaries and of ITV Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. The consolidated and company financial statements for the year ended 31 December 2005 of ITV Public Company Limited and its subsidiaries and of ITV Public Company Limited, respectively, were audited by another auditor from the same firm as myself, and his report dated 23 February 2006 expressed an unqualified opinion on those statements and drew attention to the matter of the award of the arbitration panel relating to the Agreement for the Operation of the Television Station.

As described in note 2.1 b) to the financial statements, the Company had net loss for the year ended 31 December 2006 of Baht 1,783 million and its current liabilities exceed its current assets by an amount of Baht 1,227 million and the Company has not complied with debt covenant as described in note 14 to the financial statements. In addition, as a consequence of the ruling of the Supreme Administrative Court on 13 December 2006, the Company is liable to pay the unpaid concession fee totalling Baht 2,210 million. The Office of the Permanent Secretary of the Office of the Prime Minister ("PMO"), the concessionaire, claimed that the payment must be made within 30 days after the Company received the notice on 1 February 2007. The Company is currently trying to find sources of fund to settle such debt. Based on the Company's cash flows projection, the Company expects that it will need additional funds of approximately Baht 1,500 million in order to continue its operation in the forthcoming 12 months. This event indicates a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and the impairment of the Company's assets, the results of which depends on the ability of the Company to find sources of fund and cash flows from operations.

As described in note 25 to the financial statements, the Supreme Administrative Court ruled that the Company has to pay the unpaid concession fee to the PMO. Moreover, the PMO claimed that the Company has to pay 15% interest per annum on the total unpaid concession fee and to pay the penalty arising from the alteration of television program of Baht 97,760 million in accordance with the conditions of the Concession Agreement. The PMO claimed that the unpaid concession fee, interest and penalty must be paid within 30 days after the Company received the notice on 1 February 2007. The Company disagreed with the claims of the PMO and submitted the dispute in respect of the interest and the penalty arising from the alteration of television program to the Arbitration Panel. On 27 January 2007, the PMO submitted a letter to the Arbitration Institute disputing that the issue regarding the penalty arising from the alteration of television programming was not related to the dispute or controversy in connection with the Concession agreement considered by the arbitrator. The Company has not set up provision for any liability relating to the interest and the penalty in these financial statements. The ultimate outcome of this matter cannot presently be determined. This matter has a significant impact on the Company's operating results and financial position.

Because of the significance of the uncertainties regarding the Company's funding and the sufficiency of cash flows and the going concern issue as described in the second paragraph and the resolution of the dispute as described in the third paragraph to the financial statements of ITV Public Company Limited and its subsidiaries and of ITV Public Company Limited for the year ended 31 December 2006, I am unable to express an opinion on the aforementioned financial statements.

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

Bangkok
26 February 2007

ITV Public Company Limited
Balance Sheets
As at 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	2005 Baht
ASSETS					
Current assets					
Cash and cash equivalents	4	1,451,080,230	825,934,336	1,423,567,069	822,939,961
Trade accounts receivable, net	5	359,859,836	353,983,622	353,464,248	353,919,152
Loan to a subsidiary	6 d)	-	-	19,000,000	21,000,000
Programming rights and production costs, net	7	56,771,154	68,498,665	56,771,154	68,498,665
Withholding tax receivable		48,910,884	52,275,800	47,795,183	51,458,298
Other current assets	8	30,923,358	28,455,874	30,675,044	28,455,874
Total current assets		<u>1,947,545,462</u>	<u>1,329,148,297</u>	<u>1,931,272,698</u>	<u>1,346,271,950</u>
Non-current assets					
Investments in a subsidiary and a joint venture	9	-	-	35,315,089	5,788,222
Equipment, net	10	97,985,427	104,776,579	82,970,299	82,046,698
Concession assets, net	11	1,854,029,663	2,006,774,079	1,854,029,663	2,006,774,079
Other assets	12	11,216,198	11,355,615	11,215,120	11,355,615
Total non-current assets		<u>1,963,231,288</u>	<u>2,122,906,273</u>	<u>1,983,530,171</u>	<u>2,105,964,614</u>
Total assets		<u><u>3,910,776,750</u></u>	<u><u>3,452,054,570</u></u>	<u><u>3,914,802,869</u></u>	<u><u>3,452,236,564</u></u>

Director _____ Director _____

Date _____ Date _____

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Balance Sheets (continued)
As at 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	2005 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade accounts payable	13	49,501,391	32,087,666	53,118,586	32,085,718
Current portion of long-term finance lease liabilities	6 g), 14	1,103,518	-	2,453,518	-
Current portion of long-term loan	14	93,194,049	80,485,769	93,194,049	80,485,769
Concession payable	25	2,726,347,945	450,000,000	2,726,347,945	450,000,000
Accrued expenses	6 h)	253,103,194	234,211,783	248,960,339	234,468,783
Other current liabilities	15	34,494,551	30,102,177	34,152,580	30,029,119
Total current liabilities		3,157,744,648	826,887,395	3,158,227,017	827,069,389
Non-current liabilities					
Long-term finance lease liabilities	6 g), 14	1,358,176	-	4,901,926	-
Long-term loan, net	14	197,342,565	289,845,489	197,342,565	289,845,489
Total non-current liabilities		198,700,741	289,845,489	202,244,491	289,845,489
Total liabilities		3,356,445,389	1,116,732,884	3,360,471,508	1,116,914,878
Shareholders' equity					
Share capital					
Authorised share capital - ordinary shares	16	7,800,000,000	7,800,000,000	7,800,000,000	7,800,000,000
Issued and paid share capital					
- ordinary shares	16	6,033,487,000	6,031,906,500	6,033,487,000	6,031,906,500
Discount on share capital	16	(174,296,959)	(174,417,077)	(174,296,959)	(174,417,077)
Deficit		#####	#####	#####	#####
Total shareholders' equity		554,331,361	2,335,321,686	554,331,361	2,335,321,686
Total liabilities and shareholders' equity		3,910,776,750	3,452,054,570	3,914,802,869	3,452,236,564

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Statements of Income
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	2005 Baht
Revenues	6 a)				
Service income	17	2,106,882,403	2,332,832,264	2,092,010,357	2,330,086,138
Net result from investment					
- equity method	9	-	-	-	418,844
Interest income		49,623,492	8,413,429	50,026,244	9,839,442
Other income		2,228,020	2,158,767	3,380,021	2,886,267
Total revenues		<u>2,158,733,915</u>	<u>2,343,404,460</u>	<u>2,145,416,622</u>	<u>2,343,230,691</u>
Expenses	6 b)				
Cost of services	18	1,014,912,538	963,697,690	993,023,892	952,699,624
Concession expenses	25	1,000,000,000	230,000,000	1,000,000,000	230,000,000
Unpaid concession fee and overdue interest	25	1,506,347,945	-	1,506,347,945	-
Selling and administrative expenses	18	392,540,390	449,453,901	400,436,066	460,278,198
Directors' remuneration		2,460,000	1,830,000	2,460,000	1,830,000
Net results from investment					
- equity method	9	-	-	473,133	-
Total expenses		<u>3,916,260,873</u>	<u>1,644,981,591</u>	<u>3,902,741,036</u>	<u>1,644,807,822</u>
Profit (loss) before interest		(1,757,526,958)	698,422,869	(1,757,324,414)	698,422,869
Interest expenses		(25,163,985)	(19,311,631)	(25,366,529)	(19,311,631)
Net profit (loss) for the year		<u>(1,782,690,943)</u>	<u>679,111,238</u>	<u>(1,782,690,943)</u>	<u>679,111,238</u>
Basic earnings (loss) per share (Baht)	20				
Net profit (loss) for the year		(1.48)	0.56	(1.48)	0.56
Diluted earnings per share (Baht)	20				
Net profit (loss) for the year		(1.48)	0.56	(1.48)	0.56

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Statements of Changes in Shareholders' Equity
For the years ended 31 December 2006 and 2005

Consolidated and Company				
		Premium/ (Discount) in		
	Share capital	share capital	Deficit	Total
Note	Baht	Baht	Baht	Baht
Opening balance				
as at 1 January 2005	6,023,713,500	(175,039,745)	(4,201,278,975)	1,647,394,780
Issue of ordinary shares	16 8,193,000	622,668	-	8,815,668
Net profit for the year	-	-	679,111,238	679,111,238
Closing balance				
as at 31 December 2005	<u>6,031,906,500</u>	<u>(174,417,077)</u>	<u>(3,522,167,737)</u>	<u>2,335,321,686</u>
Opening balance				
as at 1 January 2006	6,031,906,500	(174,417,077)	(3,522,167,737)	2,335,321,686
Issue of ordinary shares	16 1,580,500	120,118	-	1,700,618
Net loss for the year	-	-	(1,782,690,943)	(1,782,690,943)
Closing balance				
as at 31 December 2006	<u>6,033,487,000</u>	<u>(174,296,959)</u>	<u>(5,304,858,680)</u>	<u>554,481,361</u>

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Statements of Cash flows
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	2005 Baht
Cash flows from operating activities					
Net profit (loss) for the years		#####	679,111,238	#####	679,111,238
Adjustments for:					
Amortisation of concession assets	11	224,767,800	221,707,763	224,767,800	221,707,763
Gain on foreign exchange rate		-	(29,577)	-	(29,577)
Depreciation	10	24,770,721	22,457,640	13,762,550	12,001,701
Amortisation and allowance for impairment of programming rights and production costs	7	160,919,197	168,264,046	160,919,197	168,264,046
Reversal of allowance for doubtful accounts		(5,557,041)	(19,514,315)	(5,557,041)	(19,514,315)
Loss on disposal of programming rights		3,890,186	-	3,890,186	-
(Gain) loss on disposal of equipment		107,510	-	(166,497)	-
Reversal on devaluation of barter assets		(523)	(37,728)	(523)	(37,728)
Amortisation of front end fee	14	691,125	2,612,451	691,125	2,612,451
Net results from investment in a subsidiary and a joint venture	9	-	-	473,133	(418,844)
Changes in operating assets and liabilities					
Trade accounts receivable		(319,174)	5,400,527	6,011,944	5,270,796
Withholding tax receivable		3,364,916	-	3,663,114	-
Other current assets		(409,021)	(3,285,699)	(160,706)	(5,923,948)
Other assets		139,415	120,378	140,495	120,378
Trade accounts payable		(14,043,365)	9,802,488	(15,118,618)	9,846,879
Concession payable		2,276,347,945	-	2,276,347,945	-
Accrued expenses		10,720,108	53,093,247	6,320,252	52,955,997
Other current liabilities		4,392,375	(55,067)	4,123,462	(105,325)
Cash generated from operating activities		<u>907,091,231</u>	<u>1,139,647,392</u>	<u>897,416,875</u>	<u>1,125,861,512</u>
Cash flows from investing activities					
Purchases of programming rights and production costs	7	(147,896,567)	(135,517,651)	(147,896,567)	(135,517,651)
Proceeds from disposal of programming rights	7	18,536,000	-	18,536,000	-
Purchases of concession assets	11	(58,174,235)	(61,529,901)	(53,479,839)	(61,529,901)
Proceeds from disposal of equipment		1,489,500	-	900,000	-
Purchases of equipment		(16,520,678)	(5,744,186)	(6,963,754)	(4,859,887)
Investment in a joint venture	9	-	-	(30,000,000)	-
Loan to a subsidiary	6 d)	-	-	(4,000,000)	-
Proceeds from loan to a subsidiary	6 d)	-	-	6,000,000	12,000,000
Net cash used in investing activities		<u>(202,565,980)</u>	<u>(202,791,738)</u>	<u>(216,904,160)</u>	<u>(189,907,439)</u>

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Statements of Cash flows (continued)
For the years ended 31 December 2006 and 2005

	Notes	Consolidated		Company	
		2006 Baht	2005 Baht	2006 Baht	2005 Baht
Cash flows from financing activities					
Repayment of finance lease liabilities	14	(594,206)	-	(1,100,456)	-
Repayment of long-term loan from a bank	14	(80,485,769)	(272,013,583)	(80,485,769)	(272,013,583)
Proceeds from increase in share capital from exercising warrants	16	1,700,618	8,815,668	1,700,618	8,815,668
Net cash used in financing activities		<u>(79,379,357)</u>	<u>(263,197,915)</u>	<u>(79,885,607)</u>	<u>(263,197,915)</u>
Net increase in cash and cash equivalents		625,145,894	673,657,739	600,627,108	672,756,158
Opening balance		825,934,336	152,276,597	822,939,961	150,183,803
Closing balance		<u>1,451,080,230</u>	<u>825,934,336</u>	<u>1,423,567,069</u>	<u>822,939,961</u>
Cash and cash equivalents as at 31 December comprise:					
Cash on hand		781,133	615,532	763,106	615,532
Cash at banks		1,450,299,097	825,318,804	1,422,803,963	822,324,429
Total cash and cash equivalents		<u>1,451,080,230</u>	<u>825,934,336</u>	<u>1,423,567,069</u>	<u>822,939,961</u>
Supplementary information for cash flows					
Interest paid		25,220,272	19,326,090	25,422,816	19,326,090
Non-cash transactions					
Liabilities due to purchase of programming rights and production costs		27,837,590	4,116,285	27,837,590	4,116,285
Liabilities due to purchase of concession assets		13,849,149	-	18,543,545	-
Purchase of equipment under finance lease liabilities		2,461,694	-	7,355,444	-

The notes to the consolidated and company financial statements on pages 9 to 40 are an integral part of these financial statements.

ITV Public Company Limited
Notes to the Consolidated and Company Financial Statements
For the years ended 31 December 2006 and 2005

1 General information

ITV Public Company Limited (the ‘Company’) is a public limited company and is incorporated and domiciled in Thailand. The address of its registered office is as follows:

1010 Shinawatra Tower 3, Viphavadi Rangsit Road, Chatuchak, Chatuchak, Bangkok 10900.

The Company has been listed on the Stock Exchange of Thailand since 13 March 2002.

The Company, its subsidiary and joint venture (together “the Group”).

As at 31 December 2006, the Group and the Company has 1,020 employees (2005: 938 employees).

The Company operates a television broadcasting station under a UHF radio-television broadcasting agreement (the concession agreement) provided by the Office of the Permanent Secretary of the Office of the Prime Minister (“PMO”) on 3 July 1995, and amended on 25 April 2000. The agreement term is 30 years, and will expire on 3 July 2025. The Company has to comply with the conditions of the concession agreement. The Company has to broadcast news, together with features and educational programs amounting to 70 percent or more of total broadcasting time. In addition, the Company has to pay minimum fees to the PMO based on a percentage of service income, or at the rates specified in the agreement, whichever is higher. The Company has explained about the judgment of the Supreme Administrative Court relating to the Agreement for the Operation of Television Station in Note 25.

The concession is a Build Transfer Operate concession according to which the Company has to transfer ownership of certain property and equipment that it procures to the PMO, upon completion of equipment installation.

These consolidated and company financial statements have been approved for issue by the Board of Directors on 26 February 2007.

2 Accounting policies

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

2.1 a) Basis for 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 issued under the Securities and Exchange Act B.E. 2535. The Group has early adopted Thai Accounting Standard No. 56 “Accounting for Income Tax” in the first quarter of 2006, prior to its effective date.

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

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 comply with changes in presentation in the current year.

2 Accounting policies (continued)

2.1 a) Basis for preparation (continued)

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.

2.1 b) Going concern basis

The Company had net loss for the year ended 31 December 2006 of Baht 1,783 million and its current liabilities exceed its current assets by an amount of Baht 1,227 million and the Company has not complied with debt covenant as described in note 14 to the financial statements. In addition, as a consequence of the ruling of the Supreme Administrative Court on 13 December 2006, the Company is liable to pay the unpaid concession fee totalling Baht 2,210 million. The Office of the Permanent Secretary of the Office of the Prime Minister (“PMO”), the concessionaire, claimed that the payment must be made within 30 days after the Company received the notice on 1 February 2007. The Company is currently trying to find sources of funds to settle such debt. Based on the Company’s cash flows projection, the Company expects that it will need additional funds of approximately Baht 1,500 million in order to continue its operation in the forthcoming 12 months. This event indicates a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern and the impairment of the Company’s assets, the results of which depends on the ability of the Company to find sources of fund and cash flows from operations.

However, these financial statements for the year ended 31 December 2006 have been prepared on a going concern basis. The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the company be unable to continue as a going concern.

2.1 c) Impairment test of concession assets

The Company’s concession assets as stated on the balance sheet as at 31 December 2006 of Baht 1,854 million are based on the Company being able to continue its operations as a going concern and that the assessment for impairment of concession assets are based on a held for use model. Because of the significant uncertainty matters as discussed in Note 2.1 b) above and Note 25 to the financial statements it can not determine properly the impairment of concession assets until the resolution of the matters.

2.2 Early adoption of accounting for income taxes

The group has early adopted Thai Accounting Standard No. 56 “Accounting for Income Taxes” since the first quarter of 2006. The Group has restated the comparative prior period’s financial statements, as if the income tax accounting policy had always been in used. However, this change has no significant impact on the financial statements, and consequently no restatement of the comparative financial information has been made.

2 Accounting policies (continued)

2.3 Amendment to publish standard effective for annual period beginning on 1 January 2007

Thai Accounting Standard No. 44 (amendment 2006) - Consolidated and separate financial statements and Thai Accounting Standard No. 45 (amendment 2006) - Investment in associates, are mandatory for Group's accounting period beginning on or after 1 January 2007. This amendment requires for investments in subsidiaries and associates to be accounted for at cost (previously equity method) in the separate financial statements. Under the cost basis, income from the investment will be recorded when dividends are declared. Furthermore the Group applies similar basis relating to investment in jointly control entities in the separate financial statements. The Group will be implementing the new basis from 1 January 2007.

2.4 Group Accounting - Investment in a subsidiary and interest in a joint venture

(a) Subsidiaries

Subsidiaries' which are those entities in which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued 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.

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 investment in a subsidiary is reported by using the equity method of accounting.

Under the equity method the Company's share of the post-acquisition profits or losses of subsidiary is recognised in the statements of income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Company and its subsidiary are eliminated to the extent of the Company's interest in the subsidiary; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company's investment in subsidiary includes goodwill (net of accumulated amortisation) on acquisition. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company does not recognise further losses, unless the Company has incurred obligations or made payments on behalf of the subsidiary.

A list of the Company's subsidiary is set out in Note 9.

2 Accounting policies (continued)

2.4 Group Accounting - Investment in a subsidiary and interest in a joint venture (continued)

(b) Joint Venture

The Group's interest 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 ventures. 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 current assets or an impairment loss, the loss is recognised immediately.

In the Company's separate financial statements investment in a joint venture is reported by using the equity method of accounting.

A list of the Company's joint venture is set out in Note 9.

2.5 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 Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel who are directors and officers of the Group 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.

2.6 Foreign currency translation

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 currency are translated to 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 statement of income.

2 Accounting policies (continued)

2.7 Financial instruments

Financial instruments carried on the balance sheet include cash and cash equivalents, trade accounts receivable, advances and loans to related parties, deposits, trade creditors, concession payable, accrued expenses and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group is also party to financial instruments that reduce exposure to fluctuations in foreign currency exchange rates. These instruments, which mainly comprise foreign currency forward contracts, are recorded in the financial statements on inception.

Foreign currency forward contracts

Foreign currency forward contracts establish a predetermined exchange rate ("forward rate") at which the Group will receive or pay foreign currency amounts on a predetermined future date. Obligations under forward foreign exchange contracts are recognised in the balance sheet on inception. At the balance sheet date the foreign currency amounts receivable or payable under these contracts are translated at the balance sheet exchange rate. Unrealised gains or losses that result from translation are recognised in the income statement. Any premium or discount equal to the difference between the exchange rate and the forward rate at the inception of the contract is amortised over the life of the contract.

Disclosures about the financial instruments to which the Group is a party are provided in Note 22.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from the date of acquisition and bank overdrafts.

2.9 Trade accounts receivables

Trade accounts receivable are carried at original invoice 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 of the receivable and the amount expected to be collectible. Bad debts are written off during the year in which they are identified and recognised in the statements of income within selling and administrative expenses.

2.10 Programming rights and production costs

Programming rights

The Company buys programming rights for broadcasting. Programming rights are stated at cost. The cost comprises both the purchase price and other costs directly attributable to the acquisition of the programming rights, such as duties, less all attributable discounts, allowance or rebates. Provision is made, where necessary, for impairment based on the estimated recoverable value.

The cost of the programming rights is amortised according to the number of transmissions specified in the broadcasting agreement. If the program is broadcasted more than once, the cost of programming rights is amortised at a rate of 80% on the first transmission and 20% on the second transmission.

2 Accounting policies (continued)

2.10 Programming rights and production costs (continued)

Production costs

Production costs comprise direct costs related to production. News production costs are expensed as incurred. Costs relating to other in-house productions are capitalised based on estimated recoverable revenues and are amortised when the production is broadcast.

2.11 Equipment

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 over its estimated useful life as follows:

Leasehold improvement	Lease period or the estimated useful life, whichever is shorter
Vehicles	5 years
Office equipments	5 years

In case that a book value is higher than realisable value, the book value will be adjusted to be realisable value.

Repair and maintenance expenses are charged to the income statements during the financial year 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 standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related assets.

The Group policy is to review asset values annually, and to adjust depreciation to match estimated useful lives.

Gains and losses on disposal of equipment are determined by comparing with the carrying amount and are included in operating profit (loss).

2.12 Concession assets

Concession assets comprise equipment and intangible assets, technician and consulting fees as set out in the concession agreement. Under the concession agreement, the Company has to transfer the ownership of equipment and intangible assets to the PMO on the assets ready to use date. Concession assets are amortised using the straight-line basis over their estimated useful life or the period of the concession, whichever is shorter as follows:

Land	The remaining period of the concession agreement
Network station	20 years or the remaining period of the agreement
Transmission equipments	5 - 20 years or the remaining period of the agreement
Tools and office equipments	5 years or the remaining period of the agreement
Technician and consulting fees	20 years or the remaining period of the agreement

Borrowing costs to finance construction assets are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the assets for their intended use. No borrowing costs were capitalised in 2006 and 2005.

2 Accounting policies (continued)

2.13 Leases - where the company is the lessee

Leases of property, plant or 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 statement 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 property, plant or 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 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.

2.14 Long-lived assets

The Group assesses annually, or when circumstances warrant such a review, whether there is any indication that any of its long-lived assets, including other intangible assets, may be impaired. The carrying value of a long-lived asset is considered impaired when the anticipated recoverable value of the asset is less than its carrying value. Recoverable value is determined as the higher of net selling price and value in use, using anticipated cash flows discounted at a rate commensurate with the risk involved. Impairment losses are charged to the statements of income.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation 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.

2.16 Employee benefits

The Group operates a provident fund, which is a defined contribution plan, the assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the relevant Group companies. Contributions to the provident fund are charged to the statements of income in the year to which they relate. However, the Group does not record the employment benefits payable to employees under the Thai Labour Law.

Warrants for directors and employees of the Group will be recognised in financial statements when exercised.

2 Accounting policies (continued)

2.17 Revenue recognition

The revenues are recognised as follows:

Advertising revenues	-	upon broadcast, net of output VAT and discounts
Airtime rental	-	when the program is broadcasted, net of output VAT and discounts
Interest income	-	as it accrues unless collectibility is in doubt

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, which is the weighted average number of ordinary shares which would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares. The assumed proceeds from the exercise of warrants would be considered to have been received from the issue of shares at fair value. These represent warrants where the exercise price is less than the average market price of the Company's shares during the year.

3 Segment information

Based on the risks and rewards associated with the Group's business and its organisational structure, management has determined that the Group operates in one business and geographical reportable segment.

ITV Public Company Limited
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For the years ended 31 December 2006 and 2005

4 Cash and cash equivalents

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Cash on hand	781,133	615,532	763,106	615,532
Savings deposits	136,299,097	110,318,804	132,803,963	107,324,429
Time deposits	1,314,000,000	715,000,000	1,290,000,000	715,000,000
Total cash and cash equivalents	<u>1,451,080,230</u>	<u>825,934,336</u>	<u>1,423,567,069</u>	<u>822,939,961</u>

The weighted average effective interest rate of savings deposits and time deposits was 4.70 % per annum (2005: 3.61% per annum). The time deposits have an original maturity of 1-3 months.

5 Trade accounts receivable, net

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Trade accounts receivable and income receivable				
- Third parties	306,229,971	316,870,297	301,260,617	316,751,158
- Related parties (Note 6 c)	61,196,710	50,237,211	59,770,476	50,291,880
Total trade accounts receivable and income receivable	367,426,681	367,107,508	361,031,093	367,043,038
<u>Less</u> allowance for doubtful accounts	<u>(7,566,845)</u>	<u>(13,123,886)</u>	<u>(7,566,845)</u>	<u>(13,123,886)</u>
Trade accounts receivable, net	<u>359,859,836</u>	<u>353,983,622</u>	<u>353,464,248</u>	<u>353,919,152</u>

The aging of outstanding trade accounts receivable as at 31 December is as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Current - 3 months	359,826,494	346,124,572	353,427,265	346,060,103
3 - 6 months	471,802	8,117,624	475,443	8,117,624
6 - 12 months	582,690	124,501	582,690	124,501
Over 12 months	6,545,695	12,740,811	6,545,695	12,740,810
Total	367,426,681	367,107,508	361,031,093	367,043,038
<u>Less</u> allowance for doubtful accounts	<u>(7,566,845)</u>	<u>(13,123,886)</u>	<u>(7,566,845)</u>	<u>(13,123,886)</u>
Trade accounts receivable, net	<u>359,859,836</u>	<u>353,983,622</u>	<u>353,464,248</u>	<u>353,919,152</u>

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For the years ended 31 December 2006 and 2005

6 Related party transactions

The Group is controlled by Shin Corporation Public Co., Ltd. (“Shin”), which is incorporated in Thailand and owns 52.92% (2005: 52.94%) of the Company’s shares. The remaining 47.08% (2005: 47.06%) of the shares are widely held.

On 23 January 2006, the Shinawatra family, the principle shareholders of Shin, sold all their shares, representing 49.60% of the paid-up capital of Shin, to Cedar Holding Company Limited (“Cedar”) and Aspen Holding Company Limited (“Aspen”), incorporated in Thailand. Consequently, the Shinawatra family and its related parties ceased to be the related parties of the Group from the date of the sale. However, the Group disclosed related party transaction with Shinawatra family up to 31 January 2006.

Aspen is a company incorporated in Thailand and an indirect subsidiary of Temasek Holdings (Pte) Ltd. (“Temasek”). Cedar is a company incorporated in Thailand whose shareholders are comprised of The Siam Commercial Bank Public Company Limited holding 5.8%, Kularb Kaew Company Limited (“Kularb Kaew”) holding 45.2% and Cypress Holdings Limited (“Cypress”), an indirect subsidiary of Temasak, holding 49.0% of the shares in Cedar. Kularb Kaew was held by four major shareholders, namely, Cypress holding 29.9%, Khun Surin Upatkoon holding 68.0%, Khun Pong Sarasin holding 1.3% and Khun Suphadej Poonpipat holding 0.8%.

Transactions related to the Group within the Shin Group, such as subsidiaries, associates, management, and related parties, including transactions related to companies of Cedar and Aspen and the Temasek group are recognised as related party transactions to the Group.

During the year, the Group entered into a number of transactions with its parent company and related companies, the terms of which were negotiated on an arm’s length basis in the ordinary course of business and according to normal trade conditions.

Consulting and management service fees are charged by its parent company on a mutually agreed basis as a percentage of assets, but not less than the agreed amount. Treasury fees, which are included in consulting and management service fees, are charged as a percentage of the transaction amount.

Shin had stopped charging consulting and management service fees which agreed with the Company, effected from the third quarter, 2006.

The following transactions were carried out with related parties for the years ended 31 December:

a) Service income

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Advertising income				
Parent company - Shin	-	2,000,000	-	2,000,000
Subsidiary	-	-	4,398,000	2,820,000
Other related parties - Shin Group	199,628,927	217,426,890	199,628,927	217,426,890
	<u>199,628,927</u>	<u>219,426,890</u>	<u>204,026,927</u>	<u>222,246,890</u>
Other income				
Parent company - Shin	841,121	300,000	841,121	300,000
Subsidiary - Interest income	-	-	1,481,124	1,436,027
Subsidiary - Other income	-	-	2,100,000	1,200,000
Other related parties - Shin Group	32,954,705	4,659,222	27,829,692	4,634,607
	<u>33,795,826</u>	<u>4,959,222</u>	<u>32,251,937</u>	<u>7,570,634</u>
Total	<u>233,424,753</u>	<u>224,386,112</u>	<u>236,278,864</u>	<u>229,817,524</u>

ITV Public Company Limited
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For the years ended 31 December 2006 and 2005

6 Related party transactions (continued)

b) Purchased goods and services

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Parent company - Shin				
Consulting and management fee	7,887,582	16,081,352	7,887,582	16,081,352
Other expenses	167,524	854,537	167,524	854,537
	<u>8,055,106</u>	<u>16,935,889</u>	<u>8,055,106</u>	<u>16,935,889</u>
Subsidiary				
Expenses				
Advertising expenses	-	-	9,624,000	9,504,000
Equipment rental	-	-	3,352,628	1,792,500
Other expenses	-	-	2,144,536	1,353,875
	<u>-</u>	<u>-</u>	<u>15,121,164</u>	<u>12,650,375</u>
Purchases of equipment under finance lease agreement	-	-	5,400,000	-
Purchase of equipment	-	-	4,694,396	-
Other related parties - Shin Group				
Expenses				
Building rental and service charge	5,956,743	67,844,931	5,860,601	66,706,741
Transponder rental	39,132,000	36,070,283	39,132,000	36,070,283
Commission expenses	11,287,342	10,084,168	11,287,342	10,084,168
Advertising expenses	7,459,458	1,701,862	7,459,458	1,701,862
Telephone expenses	2,282,960	9,580,365	2,282,960	9,580,365
Other expense	11,399,322	11,180,994	11,388,122	11,046,594
	<u>77,517,825</u>	<u>136,462,603</u>	<u>77,410,483</u>	<u>135,190,013</u>
Purchases of equipment	-	3,144,402	-	3,144,402
Total	<u>85,572,931</u>	<u>156,542,894</u>	<u>110,681,149</u>	<u>167,920,679</u>

6 Related party transactions (continued)

c) Outstanding balances arising from sales/purchases of goods/services as at 31 December

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Receivables from related parties:				
Parent company - Shin	-	2,461,000	-	2,461,000
Subsidiary	-	-	984,935	107,000
Other related parties - Shin Group	61,196,710	47,776,211	58,785,541	47,723,880
Total	61,196,710	50,237,211	59,770,476	50,291,880
Payables to related parties:				
Parent company - Shin	-	570,903	-	570,903
Subsidiary	-	-	6,745,128	266,555
Other related parties - Shin Group	2,561,171	3,079,877	2,537,060	3,040,044
Total	2,561,171	3,650,780	9,282,188	3,877,502

d) Loan to a subsidiary

As at 31 December 2006, loan to a subsidiary bears interest rate at 7.75% per annum (2005: 6.5% per annum). The term of repayment is at call.

e) Other current assets as at 31 December

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Prepaid expense				
Other related parties - Shin Group	-	88,456	-	88,456
Total	-	88,456	-	88,456

f) Other assets as at 31 December

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Deposit				
Other related parties - Shin Group	-	9,463,472	-	9,463,472
Total	-	9,463,472	-	9,463,472

6 Related party transactions (continued)

g) Finance lease liabilities

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Finance lease liabilities - Subsidiary				
- Current	-	-	1,350,000	-
- Non-current	-	-	3,543,750	-
Total	-	-	4,893,750	-

h) Accrued expenses as at 31 December

	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Accrued expenses				
Parent company - Shin	-	2,316,000	-	2,316,000
Subsidiary	-	-	349,800	282,000
Other related companies - Shin Group	18,685,249	13,783,856	16,163,466	13,783,856
Total	18,685,249	16,099,856	16,513,266	16,381,856

i) Warrants issued and offered to directors

Shin, the parent company, granted warrants to directors of the Company according to the Employee Stock Option Plan (ESOP) at Baht nil per unit. Shin did not charge the Company for these ESOP programs. The warrants are in registered form and are non-transferable. The term of the warrants does not exceed 5 years and there is no offering price. The exercise prices of ESOP are the weighted average closing prices of Shin's shares traded on the Stock Exchange of Thailand during the period of 30 days prior to the Shareholders' Meeting. The exercise ratios and exercise prices are as follows:

	Issued date	Issued units (Million)	Percentage *	Exercise price (Baht/unit)	Exercise period	
					Start	End
ESOP - Grant I	27 March 2002	24.65	0.84	16.645	27 March 2003	26 March 2007
ESOP - Grant II	30 May 2003	14.65	0.49	12.782	31 May 2004	30 May 2008
ESOP - Grant III	31 May 2004	10.56	0.36	34.046	31 May 2005	30 May 2009
ESOP - Grant IV	31 May 2005	10.05	0.34	39.568	31 May 2006	30 May 2010
ESOP - Grant V	31 July 2006	8.65	0.27	36.830	31 July 2007	30 July 2011

* Percentage of Shin's total issued and paid share capital (before dilution) at the issue date.

Since the issuing date of ESOP until 31 December 2006, Shin approved the declaration of the dividend payment, for which the amount paid was greater than 50% of net profit after tax. Consequently, this affected the exercise ratios and exercise prices of warrants. Therefore, Shin changed the exercise ratios and exercise prices of warrants are as follows:

6 Related party transactions (continued)

i) Warrants issued and offered to directors (continued)

	<u>Exercise Ratio (Unit/ share)</u>		<u>Exercise price (Baht/unit)</u>	
	<u>Old</u>	<u>New</u>	<u>Old</u>	<u>New</u>
ESOP - Grant I	1:1	1:1.06942	17.800	16.645
ESOP - Grant II	1:1	1:1.06942	13.670	12.782
ESOP - Grant III	1:1	1:1.06942	36.410	34.046
ESOP - Grant IV	1:1	1:1.05540	41.760	39.568
ESOP - Grant V	1:1	1:1.02307	37.680	36.830

During the year 2003 to 2005, the Company's directors exercised 17,427,400 warrants under the Employee Stock Option Plan (ESOP). For the year ended 31 December 2006, the Company's directors received more rights 8,654,900 units and exercised 21,631,100 warrants. As at 31 December 2006, the outstanding rights of warrants of directors of Shin under the Employee Stock Option Plan (ESOP) stand at 29,505,300 units.

j) Special reward program

Certain companies in Shin Group has granted rights to receive a special reward ("Special Reward Program") to eligible directors and employees of the company. The rights will be granted once a year for 5 consecutive years (commencing from 2002). The rights may be exercised after the first year of the grant date but not in excess of 3 years. The calculation of the Special Reward Program benefit is based on the improvement of the operational performance of the certain companies in Shin Group between the date the rights were granted and the date the rights are exercised. However, the reward may not exceed each person's specified allocation. The total grant of the Special Reward Program to directors of the Company is 7,092 units.

From the year 2003 until 31 December 2006, the Company's directors exercised their rights to 6,526 units. As at 31 December 2006, the outstanding rights of the Company's directors are 566 units.

7 Programming rights and production costs, net

	<u>Consolidated and Company</u>	
	<u>2006</u>	<u>2005</u>
	<u>Baht</u>	<u>Baht</u>
Opening net book amount	68,498,665	105,204,257
Additions	171,617,872	131,558,454
<u>Less</u> Disposal	(22,426,186)	-
Amortisation	(141,487,648)	(171,127,067)
(Allowance for impairment)/ reversal on allowance for impairment	(19,431,549)	2,863,021
Closing net book amount	<u>56,771,154</u>	<u>68,498,665</u>
Cost, net	110,066,265	102,362,227
<u>Less</u> Allowance for impairment	(53,295,111)	(33,863,562)
Closing net book amount	<u>56,771,154</u>	<u>68,498,665</u>

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8 Other current assets

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Prepaid expenses	14,321,619	12,024,356	14,277,863	12,024,356
Other receivables	11,422,150	10,326,950	11,324,517	10,326,950
Accounts receivable				
- Revenue Department	412,913	412,913	412,913	412,913
Assets for sale	400,368	1,563,898	400,368	1,563,898
Others	4,366,308	4,127,757	4,259,383	4,127,757
Total	30,923,358	28,455,874	30,675,044	28,455,874

9 Investments in a subsidiary and a joint venture

- a) **Movements in investments in a subsidiary and a joint venture for the years ended 31 December comprise:**

	Company	
	2006	2005
	Baht	Baht
Opening net book amount	5,788,222	5,369,378
Investment in a joint venture	30,000,000	-
Net results from investments - equity method	(473,133)	418,844
Closing net book amount	35,315,089	5,788,222

- b) **Carrying value of investments in a subsidiary and a joint venture**

Company - 31 December 2006 (Baht)						
	Paid share capital	Investment portion (%)	At cost	Accumulated share of loss	At equity	Dividend
Subsidiary						
Artware Media Company Limited	20,000,000	99.99	20,000,000	(11,981,100)	8,018,900	-
Joint venture						
Media Connex Company Limited	50,000,000	60.00	30,000,000	(2,703,811)	27,296,189	-
			<u>50,000,000</u>	<u>(14,684,911)</u>	<u>35,315,089</u>	<u>-</u>

Company - 31 December 2005 (Baht)						
	Paid share capital	Investment portion (%)	At cost	Accumulated share of loss	At equity	Dividend
Subsidiary						
Artware Media Company Limited	20,000,000	99.99	20,000,000	(14,211,778)	5,788,222	-
			<u>20,000,000</u>	<u>(14,211,778)</u>	<u>5,788,222</u>	<u>-</u>

9 Investments in a subsidiary and a joint venture (continued)

- c) **The details of investments in a subsidiary and a joint venture can be summarised as follows:**

<u>Name</u>	<u>Business</u>	<u>Country</u>	<u>Currency</u>
Subsidiary			
Artware Media Company Limited	Principal business is the lease of electronic billboard arranging related marketing events.	Thailand	Baht
Joint venture			
Media Connex Company Limited	Produce contents and advertising media on mobile phones by accompanying computer technologies, televisions and mobile phones.	Thailand	Baht

In January 2006, the Company invested in the share capital of Media Connex Company Limited, a joint venture, at 60% of authorised share capital of Baht 50 million. Media Connex Company Limited registered with the Ministry of Commerce on 5 January 2006.

The Following amounts represent the Company's share of the assets, liabilities, revenues and operating results in its consolidated financial statements for the years ended 31 December.

	Media Connex Company Limited	
	2006	2005
	Baht	Baht
Balance Sheet		
Current assets	27,408,402	-
Non-current assets	1,052,584	-
Current liabilities	(1,164,797)	-
Net assets	<u>27,296,189</u>	<u>-</u>
Statements of Income		
Gross revenues	<u>1,826,093</u>	<u>-</u>
Net loss for the period	<u>(2,703,811)</u>	<u>-</u>

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10 Equipment, net

	Consolidated			
	Building improvement Baht	Vehicles Baht	Office equipment Baht	Total Baht
At 31 December 2005				
Cost	114,594,070	2,284,159	55,920,900	172,799,129
<u>Less</u> Accumulated depreciation	(36,479,334)	(1,245,864)	(30,297,352)	(68,022,550)
Net book amount	<u>78,114,736</u>	<u>1,038,295</u>	<u>25,623,548</u>	<u>104,776,579</u>
Transactions during the year ended 31 December 2006				
Opening net book amount	78,114,736	1,038,295	25,623,548	104,776,579
Additions	6,877,382	10,764,018	1,935,179	19,576,579
Disposals	-	(1,597,010)	-	(1,597,010)
Depreciation charge	(11,907,590)	(719,736)	(12,143,395)	(24,770,721)
Closing net book amount	<u>73,084,528</u>	<u>9,485,567</u>	<u>15,415,332</u>	<u>97,985,427</u>
At 31 December 2006				
Cost	121,471,452	9,992,205	51,037,873	182,501,530
<u>Less</u> Accumulated depreciation	(48,386,924)	(506,638)	(35,622,541)	(84,516,103)
Net book amount	<u>73,084,528</u>	<u>9,485,567</u>	<u>15,415,332</u>	<u>97,985,427</u>
	Company			
	Building improvement Baht	Vehicles Baht	Office equipment Baht	Total Baht
At 31 December 2005				
Cost	114,594,070	2,284,159	3,205,341	120,083,570
<u>Less</u> Accumulated depreciation	(36,479,334)	(1,245,864)	(311,674)	(38,036,872)
Net book amount	<u>78,114,736</u>	<u>1,038,295</u>	<u>2,893,667</u>	<u>82,046,698</u>
Transactions during the year ended 31 December 2006				
Opening net book amount	78,114,736	1,038,295	2,893,667	82,046,698
Additions	6,877,382	5,400,000	3,142,272	15,419,654
Disposals	-	(733,503)	-	(733,503)
Depreciation charge	(11,907,591)	(606,597)	(1,248,362)	(13,762,550)
Closing net book amount	<u>73,084,527</u>	<u>5,098,195</u>	<u>4,787,577</u>	<u>82,970,299</u>
At 31 December 2006				
Cost	121,471,452	5,528,187	6,347,613	133,347,252
<u>Less</u> Accumulated depreciation	(48,386,925)	(429,992)	(1,560,036)	(50,376,953)
Net book amount	<u>73,084,527</u>	<u>5,098,195</u>	<u>4,787,577</u>	<u>82,970,299</u>

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10 Equipment, net (continued)

Additions in consolidated and company financial statements include Baht 8.5 million (2005: nil) assets leased under finance leases (where the Group is the lessee), comprise vehicles and office equipment. The details are as follows:

	Consolidated and Company	
	2006	2005
	Baht	Baht
As at 31 December 2006		
Cost - capitalised finance leases	8,455,900	-
<u>Less</u> Accumulated depreciation	<u>(907,334)</u>	<u>-</u>
Net book amount	<u>7,548,566</u>	<u>-</u>

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11 Concession assets, net

The Company has an obligation to provide certain assets for its operations under its concession agreement. The Office of the Permanent Secretary of the Office of the Prime Minister (“PMO”), also provides certain rights to the Company to use the assets. The details of the concession assets, except the construction in progress, for which legal title has been transferred to the PMO under these agreements are as follows:

	Consolidated and Company						Total Baht
	Land Baht	Network station Baht	Transmission equipments Baht	Tools and office equipments Baht	Technician and consulting fee Baht	Construction in progress Baht	
At 31 December 2005							
Cost	48,719,349	173,565,298	3,039,143,696	187,017,722	166,646,439	21,343,138	3,636,435,642
Less Accumulated amortisation	(10,015,195)	(61,557,158)	(1,338,783,600)	(146,308,113)	(72,997,497)	-	(1,629,661,563)
Net book amount	<u>38,704,154</u>	<u>112,008,140</u>	<u>1,700,360,096</u>	<u>40,709,609</u>	<u>93,648,942</u>	<u>21,343,138</u>	<u>2,006,774,079</u>
Transactions during the year ended 31 December 2006							
Opening net book amount	38,704,154	112,008,140	1,700,360,096	40,709,609	93,648,942	21,343,138	2,006,774,079
Additions	-	-	50,463,473	15,682,779	-	5,877,132	72,023,384
Transfer, net	-	-	17,613,650	1,209,211	-	(18,822,861)	-
Amortisation charge	(1,948,773)	(8,678,260)	(185,770,906)	(20,037,539)	(8,332,322)	-	(224,767,800)
Closing net book amount	<u>36,755,381</u>	<u>103,329,880</u>	<u>1,582,666,313</u>	<u>37,564,060</u>	<u>85,316,620</u>	<u>8,397,409</u>	<u>1,854,029,663</u>
At 31 December 2006							
Cost	48,719,349	173,565,298	3,107,220,819	203,909,712	166,646,439	8,397,409	3,708,459,026
Less Accumulated amortisation	(11,963,968)	(70,235,418)	(1,524,554,506)	(166,345,652)	(81,329,819)	-	(1,854,429,363)
Net book amount	<u>36,755,381</u>	<u>103,329,880</u>	<u>1,582,666,313</u>	<u>37,564,060</u>	<u>85,316,620</u>	<u>8,397,409</u>	<u>1,854,029,663</u>

See Note 2.1 c) to the financial statements relating to significant uncertainty matters which effects the impairment of concession assets.

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12 Other assets

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Deposits				
- Third parties	10,149,531	625,476	10,148,453	625,476
- Related parties (Note 6 f)	-	9,463,472	-	9,463,472
Leasehold right				
- Third parties	1,066,667	1,266,667	1,066,667	1,266,667
Total	<u>11,216,198</u>	<u>11,355,615</u>	<u>11,215,120</u>	<u>11,355,615</u>

13 Trade accounts payable

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Trade accounts payable				
- Third parties	46,940,220	28,436,886	43,836,398	28,208,216
- Related parties (Note 6 c)	2,561,171	3,650,780	9,282,188	3,877,502
Total	<u>49,501,391</u>	<u>32,087,666</u>	<u>53,118,586</u>	<u>32,085,718</u>

14 Borrowings

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Short-term borrowings				
Current portion of long-term finance lease liabilities	1,103,518	-	2,453,518	-
Current portion of long-term loan from bank	93,194,049	80,485,769	93,194,049	80,485,769
Total	<u>94,297,567</u>	<u>80,485,769</u>	<u>95,647,567</u>	<u>80,485,769</u>
Long-term borrowings				
Long-term finance lease liabilities	1,358,176	-	4,901,926	-
Long-term loan from bank	199,858,989	293,053,038	199,858,989	293,053,038
<u>Less</u> Deferred front end fees	(2,516,424)	(3,207,549)	(2,516,424)	(3,207,549)
Total	<u>198,700,741</u>	<u>289,845,489</u>	<u>202,244,491</u>	<u>289,845,489</u>
Total borrowings	<u>292,998,308</u>	<u>370,331,258</u>	<u>297,892,058</u>	<u>370,331,258</u>

ITV Public Company Limited
Notes to the Consolidated and Company Financial Statements (continued)
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14 Borrowings (continued)

The movements in the borrowings can be analysed as follows:

	<u>Consolidated Baht</u>	<u>Company Baht</u>
For the year ended 31 December 2006		
Opening balance	370,331,258	370,331,258
Increased in finance lease liabilities	3,055,900	8,455,900
Repayments of finance lease liabilities	(594,206)	(1,100,456)
Repayments of loan from a bank	(80,485,769)	(80,485,769)
Amortisation of deferred front end fee	691,125	691,125
Closing balance	<u>292,998,308</u>	<u>297,892,058</u>

The interest rate exposure on the borrowings of the group is as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006 Baht</u>	<u>2005 Baht</u>	<u>2006 Baht</u>	<u>2005 Baht</u>
Total borrowings:				
- at fixed rates	2,461,694	-	7,355,444	-
- at floating rates	293,053,038	373,538,807	293,053,038	373,538,807

The carrying amount of long-term loan is approximate its fair value.

Borrowings carry interest at rates as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
- Long-term loan (%)	7.50	5.50	7.50	5.50

On 1 June 2000, the Company entered into an agreement for debt restructuring. The main condition of the agreement was the further extension of the payment period. The Company has to settle its debt according to the agreement. Under the debt restructuring agreement, the Company has a grace period for the first 3 years, then the Company has to repay debt installments every 6 months, totalling 16 repayments from the first repayment period on 14 December 2003.

The Company has the right to repay an amount greater than, or before the due date, of the debt installment. The amount of debt repayment can be no less than Baht 50 million and the repayment of an amount exceeding Baht 50 million is allowed in increments of Baht 10 million. The lender will not ask the Company for a fee for principal repayment before the due date if the Company has funding from operations or an increase in share capital. The Company has to pay interest every 3 months according to the agreed rate. The Company has to maintain a debt to equity ratio of not over 1:1; however, the lender has given grace to the Company to maintain the debt to equity ratio at 3:1 from 1 November 2001 to 31 December 2003. Thereafter, the debt to equity ratio has to be 2.5:1 from 1 January 2004.

On 12 December 2002, the Company and the lender amended the debt restructuring agreement by revising the interest rate from the Minimum Loan Rate plus 1.00% to the Minimum Loan Rate.

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14 Borrowings (continued)

On 18 February 2004, the Company and the lender amended the debt restructuring agreement by revising the interest rate from the Minimum Loan Rate to Personal Time Deposit Rate 3 months plus 3.00%.

On 3 October 2005, the Company and the lender amended the debt restructuring agreement by revising the interest rate from the Personal Time Deposit Rate 3 months plus 3.00% to Personal Time Deposit Rate 3 months plus 2.75%.

Non-compliance with the debt covenant

As at 31 December 2006, the Company's debt to equity ratio was 6.06:1, this ratio does not meet the requirements of the debt restructuring agreement as previously mentioned. This covenant default has made the total amount of loan become due without further notification from the lender, and the principal repayment must be made by the Company immediately. The Company does not reclassify the outstanding amount of long-term loan totalling Baht 197 million as current because the Company intends to negotiate with the lender after the circumstance as described in Note 25 has been improved.

Maturity of non-current borrowings is as follows:

	Consolidated and Company Baht
2007	93,194,049
2008	114,374,514
2009	85,484,475
Total	293,053,038

15 Other current liabilities

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Payable to the Revenue Department	11,999,611	12,319,408	11,747,760	12,246,469
Advances received from customers	22,232,087	17,216,250	22,142,087	17,216,250
Other payables	262,853	566,519	262,733	566,400
Total	34,494,551	30,102,177	34,152,580	30,029,119

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16 Share capital and premium (discount) on share capital

	Number of registered share capital shares	Issued and paid up Shares	Ordinary shares Baht	Premium/ (discount) on share capital Baht	Total Baht
As at 31 December 2004	1,560,000,000	1,204,742,700	6,023,713,500	(175,039,745)	5,848,673,755
Issue of shares	-	1,638,600	8,193,000	622,668	8,815,668
As at 31 December 2005	1,560,000,000	1,206,381,300	6,031,906,500	(174,417,077)	5,857,489,423
Issue of shares	-	316,100	1,580,500	120,118	1,700,618
As at 31 December 2006	1,560,000,000	1,206,697,400	6,033,487,000	(174,296,959)	5,859,190,041

As at 31 December 2006, the total authorised number of ordinary shares was 1,560 million shares (2005: 1,560 million shares) with a par value of Baht 5 per share (2005: Baht 5 per share).

Warrants

Movements in the number of outstanding warrants are as follows:

	For the year ended 31 December 2006 (Thousand Units)			
	Opening balance	Granted	Exercised	Closing balance
ESOP - Grant I				
- Directors	5,438	-	(316)	5,122
- Employees	4,949	-	-	4,949
Total	10,387	-	(316)	10,071
ESOP - Grant II				
- Directors	1,983	-	-	1,983
- Employees	7,191	-	-	7,191
Total	9,174	-	-	9,174
ESOP - Grant III				
- Directors	4,043	-	-	4,043
- Employees	5,611	-	-	5,611
Total	9,654	-	-	9,654
ESOP - Grant IV				
- Directors	-	5,441	-	5,441
- Employees	-	5,178	-	5,178
Total	-	10,619	-	10,619
Total	29,215	10,619	(316)	39,518

The Company issued and offered four grants of warrants to directors, employees, and advisors who are eligible for such allocation. The warrants are in registered form and non-transferable. The term of the warrant is not exceeding five years and there is no offering price. The exercise ratio is one unit of warrant to one ordinary share. The details of warrants are shown below:

	Issued date	Issued units	Exercise price Baht/unit	Exercise period		
		Million		Percentage *	Start	End
ESOP - Grant I	30 May 2003	16.769	5.38	1.46	30 May 2004	29 May 2008
ESOP - Grant II	31 May 2004	9.174	17.81	0.76	31 May 2005	30 May 2009
ESOP - Grant III	31 May 2005	9.650	13.79	0.80	31 May 2006	30 May 2010
ESOP - Grant IV	31 May 2006	10.619	8.70	0.88	31 May 2007	30 May 2011

* Percentage of the Company's total issued and paid-up share capital (before dilution) at the issue date.

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17 Service income

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Analysis of service income				
Advertising income	1,682,773,828	1,892,792,099	1,668,812,794	1,890,222,099
Airtime rental	421,948,212	432,485,457	421,948,212	432,485,457
Production income	2,160,363	7,554,708	1,249,351	7,378,582
Total	2,106,882,403	2,332,832,264	2,092,010,357	2,330,086,138

18 Operating profit (loss)

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

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Cost of services				
Amortisation and impairment of programming rights (Note 7)	160,919,197	168,264,046	160,919,197	168,264,046
Production costs	150,479,464	112,540,377	140,090,947	112,465,063
Depreciation of equipment (Note 10)	10,935,286	10,455,939	-	-
Amortisation of concession assets (Note 11)	224,767,800	221,707,763	224,767,800	221,707,763
Network costs	129,563,229	114,591,984	128,998,386	114,125,170
Staff costs	283,380,284	229,823,909	283,380,284	229,823,909
Other costs	54,867,278	106,313,672	54,872,642	106,313,673
Total	1,014,912,538	963,697,690	993,023,892	952,699,624
Selling and administrative expenses				
Depreciation of equipment (Note 10)	13,835,435	12,001,701	13,762,550	12,001,701
Staff costs	123,147,966	152,054,542	121,815,549	153,018,417
Administrative expenses	97,447,235	107,084,720	97,245,398	107,159,142
Marketing expenses	158,141,176	178,342,515	167,643,991	188,128,515
Gain on exchange rates	(31,422)	(29,577)	(31,422)	(29,577)
Total	392,540,390	449,453,901	400,436,066	460,278,198

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Notes to the Consolidated and Company Financial Statements (continued)
For the years ended 31 December 2006 and 2005

19 Income tax

The income tax on the Group's profit (loss) before tax for the years ended 31 December 2006 and 2005 differ from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	Baht	Restated Baht	Baht	Restated Baht
For the years ended 31 December				
Profit(loss) before income tax	(1,782,690,943)	679,111,238	(1,782,690,943)	679,111,238
Tax rate	30%	30%	30%	30%
The result of the accounting profit multiplied by the income tax rate	(534,807,283)	203,733,371	(534,807,283)	203,733,371
Net results from investment - equity method	-	-	141,940	(125,653)
Utilisation of previously unrecognised tax losses	(669,204)	(235,507,397)	-	(235,507,397)
Tax losses in current period not recognised as deferred tax assets	510,318,433	-	509,507,290	-
Expense recognised in the different period	24,842,911	27,500,260	24,842,911	27,625,913
Expenses not deductible for tax purpose	315,142	4,273,766	315,142	4,273,766
Tax charge	-	-	-	-

20 Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the years.

	For the years ended 31 December (Consolidated and Company)					
	Net profit (loss) Baht		Weighted number of shares Shares		Earnings (loss) per share Baht	
	2006	2005	2006	2005	2006	2005
Basic earnings (loss) per share	(1,782,690,943)	679,111,238	1,206,611,235	1,205,669,561	(1.48)	0.56
The effect of dilutive potential shares	-	-	-	5,814,758	-	-
Diluted earnings per share	(1,782,690,943)	679,111,238	1,206,611,235	1,211,484,319	(1.48)	0.56

The 39.52 million units of warrants - ordinary shares does not effect on the diluted loss for the year ended 31 December 2006. The calculation of diluted earnings per share for the year ended 31 December 2005 included the effect of 10.39 million units of warrants - ordinary shares.

21 Provident fund

The Group's provident fund is part of the provident fund of Shin Corporation Public Company Limited. The fund has been established in accordance with the Provident Fund Act B.E. 2530.

Under the plan, employees must contribute 3% - 4% of their basic salaries and the Group's contribution rates are also 3% - 4% of employees basic salaries based on the length of service of the employees.

22 Financial instruments

As at 31 December 2006, the Group has the following risks relating to significant financial instruments:

Credit risk

The Group has no significant concentrations of credit risk. Derivative instruments are entered into, and cash is placed with substantial financial institutions.

Exchange rate risk

Forward foreign exchange contracts are entered into to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

There were no outstanding forward foreign currency contracts at 31 December 2006 and 2005.

Fair values

The carrying amounts of the following financial assets and financial liabilities approximate their fair value: cash, trade receivables and payables, related party balances, other receivables and payables, short-term borrowings, concession payable, accrued expenses and floating rate long-term borrowings.

23 Bank guarantees

The company has commitment with banks in respect of letters of guarantees as follow:

	Consolidated		Company	
	2006	2005	2006	2005
	Million	Million	Million	Million
	Baht	Baht	Baht	Baht
Bank guarantees for operating performance under the concession agreement	25	25	25	25
Bank guarantees in respect of the normal course of business	58	57	58	57
	<u>83</u>	<u>82</u>	<u>83</u>	<u>82</u>

24 Commitments and contingencies

a) Commitments from the Concession Agreement

Under the Concession Agreement, the Company has an obligation to transfer all assets used for operation to the PMO. The concession agreement is a build-transfer-operate concession. The Company has to comply with the Concession Agreement and pay an annual benefit to the PMO based on the percentage of revenues or the minimum benefit, whichever is higher, as follows:

<u>Year</u>	<u>Period</u>	<u>In the percentage of</u>	<u>Minimum benefit Million Baht</u>
3	3 July 1997 - 2 July 1998	22.5	300
4	3 July 1998 - 2 July 1999	35	400
5	3 July 1999 - 2 July 2000	35	500
6	3 July 2000 - 2 July 2001	35	600
7	3 July 2001 - 2 July 2002	44	700
8	3 July 2002 - 2 July 2003	44	800
9	3 July 2003 - 2 July 2004	44	900
10	3 July 2004 - 2 July 2005	44	1,000
11 - 30	3 July 2005 - 3 July 2025	44	20,000

Benefit is based on a percentage of revenues, calculated using the total revenues that the Company could earn before related expense and taxes.

b) Operating lease commitments - where a company is the lessee

The future minimum lease payments under non-cancellable operating lease agreements are as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2006 Baht</u>	<u>2005 Baht</u>	<u>2006 Baht</u>	<u>2005 Baht</u>
Not later than 1 year	77,506,368	99,066,608	77,506,368	98,895,608
Later than 1 year and not later than 5 years	26,648,523	82,466,580	26,648,523	81,902,280
Later than 5 years	53,435,074	45,730,000	53,435,074	45,730,000
	<u>157,589,965</u>	<u>227,263,188</u>	<u>157,589,965</u>	<u>226,527,888</u>

c) Contingencies in respect of other legal cases

The Company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss. The Company does not record any provisions for these legal cases.

25 The dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station

a) The Supreme Administrative Court's judgment regarding the dispute between the Company and the PMO

On 30 January 2004, The arbitration award ruled by the arbitration panel on the disputes between the Company and the Office of the Permanent Secretary of the Office of the Prime Minister ("PMO") in accordance with the Concession Agreement and Radio-television operation under UHF system ("the Concession Agreement") can be summarised as follows:

1. The PMO shall pay compensation to the Company in the amount of Baht 20 million;
2. The concession fee to be paid shall be reduced and adjusted by reducing the concession fee to 6.5% (from the original rate of 44%) of gross revenue or the minimum guarantee of Baht 230 million (reduced and adjusted from the original agreement of the 8th year Baht 800 million; the 9th Year Baht 900 million and the 10th - 30th Year Baht 1,000 million each year), whichever is higher, as from 3 July 2002;
3. The PMO shall return parts of the minimum guarantee of Baht 800 million paid by the Company subject to conditions during the arbitration proceedings on 3 July 2003 to the Company. The amount to be returned to the Company is Baht 570 million; and
4. The Company may broadcast its television programs during prime time (7.00 p.m. - 9.30 p.m.) without having to restrict its programs to news, documentaries and social benefit items. The Company must, however, broadcast news, documentaries and social benefit programs for not less than 50% of its total airtime, subject to the rules and regulations issued by governmental agencies applicable in general to all television stations.

The PMO entered into the appeal process in April 2004 in order to revoke the award made by the arbitration panel. On 9 May 2006, the Administrative Court of the First Instance handed down its ruling regarding the revocation of the arbitration award. On 7 June 2006, the Company filed an appeal against the verdict of the Administrative Court of the First Instance with the Supreme Administrative Court, and the Supreme Administrative Court received the execution of the judgment. On 13 December 2006, the Supreme Administrative Court ruled to uphold the judgment of the Central Administrative Court that effected on revocation of the Arbitration Award dated 30 January 2004. As a consequence of that ruling, the Company has to follow the previous terms and conditions as specified in the Concession Agreement on the following:

1. The Company changed its television programs to be in line with the Clause 11 of the Concession Agreement which covers the combination of news, documentaries and social benefit programs which shall not be less than 70% of total air-time, and all programs broadcasted during prime time (7.00 p.m. - 9.30 p.m.) have to be these kinds of programs.
2. The Company followed Clause 5 (the concession fee to be rate of 44% and the minimum guarantee of Baht 1,000 million) of the Concession Agreement in respect of payment of concession fee to the PMO.

On 14 December 2006, the Company has changed its television programs to be in line with the Clause 11 of the Concession Agreement. The Company recorded the unpaid concession fee for the period 3 July 2004 to 3 July 2006 of Baht 2,210 million.

25 The dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station (continued)

b) Contingencies in respect of the dispute with the PMO

The PMO issued a letter dated 14 December 2006 claiming that the Company should:

- 1 Immediately alter the television programming schedule in order to comply with the of Clause 11 of the Concession Agreement.
- 2 Pay the unpaid concession fee totalling Baht 2,210 million, for the 9th concession year (the Seventh Payment) in the amount of Baht 670 million, the 10th concession year (the Eighth Payment) in the amount of Baht 770 million and the 11th concession year (the Ninth Payment) in the amount of Baht 770 million plus 15% interest per annum on the unpaid concession fee, calculated on a daily basis from the date the payment become over due.
- 3 Pay the penalty fee in accordance with Clause 11, second paragraph, of the Concession Agreement from 1 April 2004 to 13 December 2006 at the rate of 10% of the annual concession fee, calculated on a daily basis from the date the payment become over due. According to the Company had not scheduled programs following Clause 11, Section 1, the penalty fee for breach determined by the PMO is in the amount of Baht 97,760 million (the Company changed its programming schedule following the Supreme Administrative Court's judgment on 14 December 2006).

The PMO demanded that all payments must be paid within 45 days of the Company receiving such notice (received 15 December 2006). In the event that the Company fails to repay such debt within the period of time, the PMO will have to act in accordance with the terms of the Concession Agreement and any relevant law.

The Company and the Company's legal consultant had opinions regarding that case of 15% interest per annum on the unpaid concession fee and the penalty fee of the changed programming as per the following:

- 1 The concession fee amounting to Baht 230 million was paid to the PMO in accordance with the arbitral award. Since the arbitral award was bound to both parties under Clause 15 of the Concession Agreement, the Company had no liability on interest of the unpaid concession fee during the period that the arbitral award was granted until the Supreme Administrative Court's judgment was handed down.
- 2 The Company and the Company's legal consultant disagreed with the PMO on the issue of the penalty fee amounting to Baht 97,760 million with the 45 days payment period as follows:
 - 2.1 The Company has not breached the Concession Agreement because the Company has complied with Clause 15 of the Concession Agreement which states that "The arbitral award shall be bound to both parties.", the last paragraph in Clause 30 of the Arbitration rules of Judiciary Office and the second paragraph of Section 70 of Act on Establishment of Administrative Courts and Administrative Court Procedure, B.E.2542. Consequently, the alteration of TV programming from, 1 April 2004 to 13 December 2006 (the date that the Supreme Administrative Court's judgment was handed down) has duly complied with the Concession Agreement and law.
 - 2.2 As to the Concession Agreement regarding the penalty fee incurred on the alteration of television programming, the PMO has the right to terminate the Concession Agreement. However, in order to comply with the arbitration proceeding as stated in section 2.1, if it is apparent that the Company breaches the Concession Agreement, the PMO shall be entitled to terminate the Concession Agreement if the process of settlement of dispute becomes final.

25 The dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station (continued)

b) Contingencies in respect of the dispute with the PMO (continued)

- 2.3 According to the Supreme Administrative Court gazette dated December 13, 2006, stated that “Regarding the matter of the penalty, the parties have to resolve this themselves, and if the dispute cannot be resolved, the statement of claims is required to be filed in accordance with the procedure defined in the Concession Agreement”.
- 2.4 The issue of interest and the penalty incurred from the alteration of television programming had not been final since it was not an issue raised for consideration by the Supreme Administrative Court. Therefore, if the parties had any controversy thereon and it cannot be resolved, the statement of claims shall then enter into arbitration proceeding in accordance with Clause 15 of the Concession Agreement stating that “If any dispute or controversy arises in connection with this Concession Agreement, both parties shall agree to submit the said dispute for arbitration, and the Arbitration Committee’s award shall be final and binding.”

The Company and the Company’s legal consultant viewed that the calculation of the penalty of the PMO was not in compliance with the objective of the Concession Agreement. The penalty should be calculated at Baht 274,000 per day as a maximum amount, not Baht 100 million per day as stated by the PMO. However, if the penalty fee are charged, the penalty for the period from 1 April 2004 to 13 December 2006 should be Baht 268 million, not Baht 97,760 million as claimed by the PMO.

In case of interest of the unpaid concession fee claimed by the PMO, the Company is of the opinion that during the period that the Company complied with the arbitral award, the Company neither had a liability to settle the debt nor was at default to pay the concession fee since the concession fee of Baht 230 million was paid in accordance with the arbitral award. The arbitral award become binding on both parties under Clause 15 at the time it comes into force. Since the Company was not at default in the payment of the concession fee or make the delay payment, the Company has no liability on interest of the concession fee and the PMO has no right to claim for the unpaid concession fee during the period that the arbitral award was valid and the judgment of the Central Administrative Court was not enforceable during the period that the appeal was submitted to the Supreme Administrative Court.

Based on the Company’s legal consultant, the Company has no liabilities relating to the penalty and the interest and therefore, the Company does not record these liabilities in these financial statements.

The meeting of the government panel in charge of the Concession Agreement affair was held on 24 January 2007. The Company has submitted the preliminary proposals to the PMO in the following matters.

The Company notified to the meeting that currently the financial status of the Company is shown that the Company has insufficient funds money to repay the PMO because the Company has cash in hand of Baht 1,300 million and is unable to undertake either of borrowing from financial institutions or funding by public offering and rights offering within a short period due to a substantial risk concerning the uncertainty over the penalty arising from the alteration of television programming of approximately Baht 100 billion. However, the Company is trying to find other sources of funds and negotiate with the PMO over the guidelines of repayment. The Company proposed five alternatives with advantages and disadvantages of each alternative to the PMO for consideration regarding the concession fee of Baht 2,210 million as follows;

25 The dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station (continued)

b) Contingencies in respect of the dispute with the PMO (continued)

1. The Company proposed to repay the PMO Baht 710 million in cash plus Baht 1.5 billion through new share issues at Baht 1 per share, allowing the PMO to own 55.4% of the Company as a major shareholder of the Company. If the PMO agrees with the first alternative, the Company will have not a burden amounting to Baht 2,210 million and the Company's operation will be going on with strong future performance which is positive to the minority shareholders and staff of the Company. However, in compliance with this alternative, the Company must propose this to the shareholder's meeting of the Company for further approval.
2. There are some Thai companies have proposed to take over all the Company's shares from Shin. Under this alternative the Thai companies wanting to operate the Company business will negotiate about the burden and the disputes with the PMO so the Company is thus able to run its business under the concession agreement and not affect minority shareholders and staff of the Company. However, compliance with this alternative depends on the approval of the board and shareholders' meetings of Shin and the result of negotiation with the new shareholders.
3. The Company proposed to the government to take over all the Company's shares from Shin in the proportion of 52.9% of total paid share capital or 638 million shares. In compliance with this alternative, the government should provide its budget for buying the Company's shares and run the Company's business thereafter.
4. The Company proposed that it will partly repay the concession fee amounting to Baht 1,000 million to the PMO and will repay the remaining Baht 1,210 million by installments over five years. In compliance with this alternative, the Company is to prepare the details of the installments method for the PMO for consideration.

The Company proposed the four alternatives stated above to the PMO for consideration because the Company intends to solve this issue to prevent the taking place of disadvantages to the minority shareholders, staff, program producers, suppliers and audience. The Company is attempting to maintain the TV station by acting as a mediating ground for social affairs. However, if there will be events or factors impacting to the Company where by it is unable to repay to the PMO within the specific time, the PMO has the right to terminate the Concession Agreement (alternative 5).

However, as at 31 December 2006, there has been no further development on the above matters.

Referring to the penalty for alteration of television programming and interest of overdue concession fee, the Company submitted the documents to the Arbitration Institute on 4 January 2007. On 27 January 2007, the PMO submitted a letter to the Arbitration Institute disputing that the issue regarding the penalty arising from the alteration of television programming was not related to the dispute or controversy in connection with the Concession agreement considered by the arbitrator. Conversely, it was the right to claim against the Company for the settlement of debt according to the judgment of the Central Administrative Court and the Supreme Administrative Court respectively. The actual amount of the penalty shall be determined by the Court; therefore, the PMO shall bring the case to the Court having its jurisdiction to consider and order or rule the Company to pay the unpaid concession fee plus 15 % interest from the delayed payment date and the penalty arising from the alteration of television programming amounting to Baht 97,760 million after the due date (it shall be further defined in the second notice).

25 The dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station (continued)

b) Contingencies in respect of the dispute with the PMO (continued)

On 1 February 2007, the Company received the letter from the PMO dated on 31 January 2007 requesting the Company to repay the debt by making payment of the unpaid concession fee of 9th year to 11th year in the amount of Baht 2,210 million and the interest calculated on such unpaid concession fee at the rate of 15% per annum together with the fine arising out of the alteration of television programming at the rate of 10% of the annual concession fee calculated on a daily basis totalling of Baht 97,760 million. PMO demanded that all payment must be paid within 30 days of the Company receiving such notice which will be on 2 March 2007. In the event that the Company fails to repay such debt within such period of time, PMO will have to act in accordance with the terms of the Concession Agreement and any relevant law.

On 20 February 2007, the Company filed an appeal requesting provisional remedial measures and an appeal to expedite the case with the Central Administrative Court as follows;

- 1 The Company requested the Central Administrative Court to rule that the PMO's right to terminate the Concession Agreement will cease from the due date for payment of the penalty fee incurred from the change in television programming and the interest on the unpaid concession fee of approximately Baht 100,000 million until the arbitral award is granted and the dispute becomes final.
- 2 The Company requested the Central Administrative Court to specify the period in which the payment of the unpaid concession fee amounting to Baht 2,210 million must be paid at within 30 days after the date of receipt of the Court's order.

On 21 February 2007, the Central Administrative Court rejected the appeal to requesting provisional remedial measures and the appeal to expedite the case.

26 Subsequent event

The Company disclosed subsequent event regarding to the dispute between the Company and the PMO relating to the concession fee under the Agreement for the Operation of Television Station in Note 25.