

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

<b>Note</b>	<b>Contents</b>
1	General information
2	Basis of preparation of the financial statements
3	Significant accounting policies
4	Related party transactions and balances
5	Cash and cash equivalents
6	Trade accounts receivable
7	Inventories
8	Other current assets
9	Investments accounted for using the equity method
10	Property, plant and equipment
11	Leasehold rights
12	Goodwill
13	Other non-current assets
14	Interest-bearing liabilities
15	Other current liabilities
16	Share capital
17	Reserves
18	Other income
19	Interest expense
20	Income tax
21	Earnings per share
22	Dividends
23	Segment information
24	Personnel expenses
25	Financial instruments
26	Long-term contracts
27	Commitments
28	Reclassification of accounts
29	Revised accounting standard not yet adopted

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the audit committee on 22 February 2007.

## **1 General information**

Central Plaza Hotel Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 1695 Phaholyothin Road, Chatuchak, Bangkok, Thailand.

The Company was listed on the Stock Exchange of Thailand on 10 January 1990.

The principal activities of the Company are in the hotel business. Details of the Company’s subsidiaries, jointly controlled entities and property funds are as follows:

	Type of business	Country of incorporation	Ownership interest	
			2006	2005
			( % )	
Direct subsidiaries				
Investment in subsidiaries				
Central Samui Beach Resort Co., Ltd. (“CSBR”)	Hotel	Thailand	100.0	100.0
Central Karon Village Co., Ltd. (“CKV”)	Hotel	Thailand	100.0	100.0
Central Krabi Bay Resort Co., Ltd. (“CKBR”)	Hotel	Thailand	100.0	100.0
Central World Hotel Co., Ltd. (“CWH”)	Hotel	Thailand	100.0	100.0
Central Koh Kood Hotel Co., Ltd. (“CKH”)	Hotel	Thailand	100.0	100.0
Central Hua Hin Beach Resort Co., Ltd. (“CHBR”)	Hotel	Thailand	63.9	63.9
Central Hotel Management Co., Ltd. (“CHM”)	Holding	Thailand	100.0	100.0
Central Restaurants Group Co., Ltd. (“CRG”)	Food and beverage	Thailand	100.0	100.0
Investment in jointly controlled entities				
Karon Phuket Hotel Co., Ltd. (“CKR”)	Hotel	Thailand	50.0	-
Kata Phuket Hotel Co., Ltd. (“CKT”)	Hotel	Thailand	50.0	-
Property funds				
Thai Pattana Fund I	Property fund	Thailand	20.0	20.0
Thai Pattana Fund II	Property fund	Thailand	23.83	0.01
Indirect subsidiaries				
Investment in subsidiaries				
Central Sukhontha Hotel Co., Ltd. (“CSH”)	Hotel	Thailand	100.0	100.0
Central Samui Village Co., Ltd. (“CSV”)	Hotel	Thailand	100.0	100.0
Central Mae Sot Hill Hotel Co., Ltd. (“CMH”)	Hotel	Thailand	98.4	98.4
B - R (Thailand) Co., Ltd. (“BRT”)	Food and beverage	Thailand	100.0	100.0
Central Maritime Hotel, Dili, East Timor (“CMHD”)	Hotel	East Timor	-	95.3
Central Maritime Hotel Co., Ltd. (“CMT”)	Dormant company	Thailand	100.0	95.3
Property funds				
Thai Pattana Fund I	Property fund	Thailand	0.04	0.04
Thai Pattana Fund II	Property fund	Thailand	0.09	15.33

# **Central Plaza Hotel Public Company Limited and its Subsidiaries**

## **Notes to the financial statements**

**For the years ended 31 December 2006 and 2005**

### **2 Basis of preparation of the financial statements**

The financial statements issued for Thai reporting purposes are prepared in the Thai language. This English translation of the financial statements has been prepared for the convenience of readers not conversant with the Thai language.

The financial statements are prepared in accordance with Thai Accounting Standards (“TAS”) including related interpretations and guidelines promulgated by the Federation of Accounting Professions and with generally accepted accounting principles in Thailand.

The financial statements are presented in Thai Baht and rounded to the nearest thousand, unless otherwise stated. They are prepared on the historical cost basis except as stated in other note to financial statements.

The preparation of financial statements in conformity with TAS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

### **3 Significant accounting policies**

#### **(a) *Basis of consolidation***

The consolidated financial statements relate to the Company and its subsidiaries, jointly controlled entities and property funds (together referred to as the “Group”).

Significant intra-group transactions between the Company and its subsidiaries, jointly controlled entities and property funds are eliminated on consolidation.

#### *Subsidiaries*

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *Jointly controlled entities*

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group’s proportionate share of the entities’ assets, liabilities, revenue and expenses combined with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Property funds*

Although, the Company's holdings in Thai Pattana Fund I and Thai Pattana Fund II ("Fund") both directly and indirectly are 20.04% and 23.92%, respectively, the Company has control over the funds since the Company has authority to control and make decisions through the funds' directors. The Company, therefore has treated the said funds as subsidiaries.

**(b) Foreign currencies**

*Foreign currency transactions*

Transactions in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Thai Baht at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of income.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, call deposits and highly liquid short-term investments. Bank overdrafts that are repayable on demand are a component of financing activities for the purpose of the statement of cash flows.

**(d) Trade and other accounts receivable**

Trade and other accounts receivable are stated at their invoice value less allowance for doubtful accounts.

The allowance for doubtful accounts is assessed primarily on analysis of payment histories and future expectations of customer payments. Bad debts are written off when incurred.

**(e) Inventories**

Inventories are stated at the lower of cost (FIFO method) and net realizable value.

A subsidiary engaged in the manufacturing and sale of ice-cream products values its inventories at the lower of cost (moving average method) and net realizable value.

An allowance is made for all deteriorated, damaged, obsolete and slow-moving inventories.

**(f) Investments**

*Investments in subsidiaries, jointly controlled entities and property funds*

Investments in subsidiaries, jointly controlled entities and property funds, in the separate financial statements of the Company, are accounted for using the equity method.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Investment in equity securities*

Marketable equity securities other than those securities held for trading are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. The exceptions are impairment losses which are recognised in the statement of income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the statement of income.

**(g) *Property, plant and equipment***

*Owned assets*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for land and buildings which are stated at their revalued amounts. The revalued amount is the fair value determined on the basis of the property's existing use at the date of revaluation less accumulated depreciation and impairment losses.

*Revalued assets*

Revaluations are performed by independent professional valuers with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in value, on revaluation, is credited to the revaluation reserve unless it offsets a previous decrease in value recognized in the statement of income in respect of the same asset. A decrease in value is recognised in the statement of income to the extent it exceeds an increase previously recognised in equity in respect of the same assets.

Major property, plant and equipment of the Company and certain subsidiaries are recorded at revalued amounts, as revalued by an independent professional valuers. Property, plant and equipment acquired subsequent to the appraisal dates and the property and equipment of the other subsidiaries are recorded at cost. The Company and subsidiaries have a policy to revalue property and equipment whenever the fair value of the revalued assets changes significantly.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**(h) Depreciation**

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Building and improvements	5 - 40	years
Furniture, fixtures and office equipment	5 - 12.5	years
Machinery and equipment	5 - 10	years
Vehicles	5 - 10	years

Plant and equipment stated at revalued amounts are depreciated using the straight-line method over their remaining useful lives. Leasehold building and leasehold improvements are depreciated over the lease terms. Operating equipment is written off to expense using the inventory method at cost.

No depreciation is provided on freehold land or assets under construction.

**(i) Leasehold rights**

Leasehold rights are recorded at revalued amounts. The revalued amounts are determined by independent professional valuers. The Company has a policy to appraise leasehold rights whenever the fair value of the revalued leasehold rights changes significantly.

*Amortisation*

Leasehold rights are amortised on a straight-line method over the remaining terms of the leases.

**(j) Goodwill**

Goodwill in a business combination represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Negative goodwill in a business combination represents the excess of the fair value of the Group's share of the identifiable net assets acquired over the cost of acquisition.

Goodwill and negative goodwill are stated at cost less accumulated amortisation and impairment losses. Goodwill and negative goodwill arising on acquisition of shares in subsidiaries are included in investments.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

*Amortisation*

Goodwill and negative goodwill are amortized over 10 years.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### **(k) Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognised in the statement of income unless it reverses a previous revaluation credited to equity, in which case it is charged to equity.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the value of the asset is impaired, the cumulative loss that had been recognized directly in equity is recognised in the statement of income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of income.

#### *Calculation of recoverable amount*

The recoverable amount is the greater of the assets' net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### **(l) Trade and other payables**

Trade and other payables are stated at cost.

### **(m) Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**(n) Revenue**

Revenue excludes value added taxes or other sales taxes and is arrived at after deduction of trade discounts.

*Sale of goods and services rendered*

Revenue is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there is continuing management involvement with the goods or there are significant uncertainties regarding recovery of the consideration due, associated costs or the probable return of goods.

Hotel revenues from room, food and beverage and other services are recognized when the rooms are occupied, food and beverages are sold and the services are rendered.

Revenues from quick service restaurant business are recognized when food and beverages are sold to the customers.

*Interest income*

Interest income is recognised in the statement of income as it accrues.

**(o) Deferred income**

The Company and a subsidiary recognise annual membership fees as income using the straight-line method over the term of membership.

Certain subsidiaries recognise deferred rental and service income and subsidy as income using the straight-line method over the terms of the agreements.

**(p) Expenses**

*Operating leases*

Payments made under operating leases are recognized in the statement of income on a straight line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease payments made.

*Finance costs*

Interest expenses and similar costs are charged to the statement of income in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.



# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### (q) *Income tax*

Income tax on the profit or loss for the year comprises current tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity.

#### *Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## 4 Related party transactions and balances

Related parties are those parties linked to the Group and the Company by common shareholders or directors. Transactions with related parties are conducted at prices based on market prices or, where no market price exists, at contractually agreed prices.

The pricing policies for particular types of transactions are explained further below:

### **Pricing policies**

Interest income and interest expense	Bank deposit interest rate
Management fee income and expense	Contractually agreed prices
Electricity expenses	Market price
Rental income and expense	Market price and contractually agreed prices

Transactions for the years ended 31 December 2006 and 2005 with related parties are summarised as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<b><i>Subsidiaries:</i></b>				
Rental income			500	-
Interest income	-	-	36,326	7,545
Management fees income	-	-	86,191	56,206
Other income	-	-	425	2,768
Interest expense	-	-	63,513	32,580
<b><i>Property fund:</i></b>				
<b><i>Thai Pattana Fund II</i></b>				
Rental expense	-	-	91,667	-

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<b><i>Other companies:</i></b>				
<i>(Common shareholders and/or</i>				
<i>Director of the Group)</i>				
Rental income	14,279	14,279	-	-
Management fees income	3,234	2,467	3,234	2,467
Area rental income	16,637	4,420	16,637	4,420
Rental expense	23,020	20,854	18,020	17,480
Electricity expense	47,634	43,731	47,634	43,731
Management fees expense	31,446	31,078	6,986	6,845
Payment for construction	348,083	-	-	-
Prepaid rental	-	275,000	-	-

Balances as at 31 December 2006 and 2005 with related parties are as follows:

### ***Receivables from and short-term loans to related parties.***

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<b><i>Receivables from related parties</i></b>				
Subsidiaries	-	-	33,276	19,429
Other companies	5,532	20,566	356	2,731
	<u>5,532</u>	<u>20,566</u>	<u>33,632</u>	<u>22,160</u>

### ***Short-term loans to related parties***

*(interest rate/annum)*

#### **Subsidiaries**

Central Krabi Bay Resort Co., Ltd. (3.75-5.50)	-	-	595,000	218,000
Central World Hotel Co., Ltd. (5.50)	-	-	626,000	-
Central Hua Hin Beach Resort Co., Ltd. (4.0)	-	-	-	159,000
	<u>-</u>	<u>-</u>	<u>1,221,000</u>	<u>377,000</u>
<b>Total</b>	<u><b>5,532</b></u>	<u><b>20,566</b></u>	<u><b>1,254,632</b></u>	<u><b>399,160</b></u>

Movements during the years on short-term loans to related parties are as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
At 1 January	-	-	377,000	212,000
Increase	-	-	1,253,500	1,048,800
Decrease	-	-	(409,500)	(883,800)
<b>At 31 December</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>1,221,000</b></u>	<u><b>377,000</b></u>

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### *Payables to and short-term loans from related parties*

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<b><i>Payables to related parties</i></b>				
Subsidiaries	-	-	333	74
Other companies	4,735	14,134	-	18
<b>Total</b>	<b>4,735</b>	<b>14,134</b>	<b>333</b>	<b>92</b>

### ***Short-term loans from related parties***

(interest rate/annum)

#### **Subsidiaries**

Central Samui Beach Resort Co., Ltd. (3.75-5.50)	-	-	819,000	774,000
Central Karon Village Co., Ltd. (3.75-5.50)	-	-	58,000	17,000
Central World Hotel Co., Ltd. (3.75)	-	-	-	348,000
Central Hua Hin Beach Resort Co., Ltd. (5.50)	-	-	161,500	-
Central Hotel Management Co., Ltd. (3.75-5.50)	-	-	249,500	83,000
	<b>-</b>	<b>-</b>	<b>1,288,000</b>	<b>1,222,000</b>
<b>Total</b>	<b>4,735</b>	<b>14,134</b>	<b>1,288,333</b>	<b>1,222,092</b>

### ***Liability under consignment agreement***

The outstanding amount due to Thai Pattana Fund II matured as follows:

	Amount due	Deferred expenses	Net
	<i>(in thousand Baht)</i>		
Within one year	81,500	(5,661)	75,839
After one year but within five years	326,000	(22,642)	303,358
After five years	203,750	(11,184)	192,566
	<b>529,750</b>	<b>(33,826)</b>	<b>495,924</b>
<b>Total</b>	<b>611,250</b>	<b>(39,487)</b>	<b>571,763</b>

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**Obligation under agreements with related parties**

***Long-term reciprocation agreements***

**The Company**

Under the terms of a reciprocal agreement entered into with Central International Development Co., Ltd. who entered into long-term land lease agreement with State Railway of Thailand, the Company was granted the right to construct a hotel building on the leased property of Central International Development Co., Ltd. and to operate the hotel for the Company's benefits up to 18 December 2008. This agreement is renewable for period of 10 years each. The Company is committed to make payments for this right totaling approximately Baht 73.7 million payable in various installments up to 2008.

On 26 March 2003, Central International Development Co., Ltd. entered into a memorandum of understanding with the State Railway of Thailand in which the said related company agreed to pay certain compensation on lease agreement as mutually agreed with the State Railway of Thailand. The Company agreed to share the said compensation for the total amount of approximately Baht 65 million to be paid in 8 installments; the first installment was paid on 31 March 2003 and the last installment will be paid by 18 December 2008.

***Long - term lease agreements***

**The Company**

In 1992, the Company renewed the lease agreement with Central Pattana Public Co., Ltd. for the leasing of Bangkok Convention Center for a period of 17 years. The lease will expire on 18 December 2008. Under the terms of this agreement, the Company was required to pay the lessor Baht 115 million for this leasehold right. This amount is presented as leasehold rights in the balance sheets. In addition, the Company was required to pay annual rent of Baht 1 million. The annual rental charge increases by 5% yearly. The Company can renew the agreement by giving written notice to the lessor prior to the expiry date of the agreement.

On 1 May 1989, the Company entered into a lease agreement for a parking lot and tennis court with Central Pattana Public Co., Ltd. This agreement was originally for a period of 3 years commencing from 1 January 1989. This agreement is renewable for periods of 3 years each. The lessor is entitled to increase the annual rental by 5% of the preceding year's rental. The annual rental expense for this agreement is currently approximately Baht 3 million.

**Subsidiaries**

***Central World Hotel Co., Ltd.***

On 28 April 2005, Central World Hotel Co., Ltd. ("CWH"), entered into a sublease of hotel land and building with Thai Business Fund 4 to develop and to operate a hotel or other related businesses. CWH is required to pay rental in advance and annual rental fee of Baht 1,188.75 million to the Fund up to the end of the agreement on 22 December 2032. CWH already paid the rental in advance upon signing the agreement in the amount of Baht 275 million.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Central Samui Beach Resort Co., Ltd.*

On 12 December 2002, Central Samui Beach Resort Co., Ltd., (“CSBR”) entered into a purchase and sales agreement with Thai Pattana Fund I (“Fund”) in which CSBR agreed to sell a hotel building and furniture for hotel operations to the fund for Baht 437 million. CSBR also entered into a leaseback agreement with the fund on the same date for a three year period from the agreement date. The leaseback agreement can be renewed for three-year periods. The rental for each renewal period will be based on the prior rental unless an adjustment in rental is agreed. The adjustment for increase or decrease of rental should not exceed 15% of the average rental for the prior year. CSBR committed to make semi annual rental payments of Baht 150 million (See note 14).

However, CSBR and the fund agreed to decrease the semi-annual rental from Baht 150 million to Baht 127.5 million, commencing from the payment due on 30 September 2004 onward.

On 2 December 2005, CSBR and the fund agreed to extend the said leaseback agreement for 3 years, starting from 12 December 2005 to 11 December 2008.

In addition, on 12 December 2002, CSBR entered into a land lease agreement with the fund for a 15 years period from 12 December 2002 to 11 December 2017. On the agreement date, the fund agreed to pay land rental of Baht 910 million for the total lease period to CSBR. Under this agreement, the fund as the owner of the hotel buildings which are located on the leased land, agreed to sell the said hotel buildings including furniture back to CSBR on the transfer of the building ownership date. The transfer of building ownership will be made when CSBR has made full repayment for repurchase of the hotel buildings and furniture to the fund as stated in the agreement.

The fund hired CSBR as property manager according to property management agreement dated 12 December 2002 for a 15-year period from the agreement date. The fund agreed to pay a property management fee to CSBR of Baht 1.5 million every six months. Under the said agreement, CSBR agreed to follow the conditions as stated in this agreement such as to maintain a liabilities to equity ratio of not exceeding 2:1 according to the detail of calculation as stated in the agreement and to maintain the ratio of the outstanding investment units for type A investors to the market value of hotel not exceeding 0.65 : 1 and others.

As guarantee for the repayment and compliance with this agreement, CSBR has mortgaged land, which is the location of the said leased assets, and Central Plaza Hotel Public Co., Ltd. has prepared a guarantee letter for the repayment and compliance with the building lease agreement and property management agreement.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Central Wong Amat Beach Resort, Pattaya*

On 23 December 2003, Central Hua Hin Beach Resort Co., Ltd. (“CHBR”) entered into a land and hotel buildings lease agreement of Central Wong Amat Beach Resort, Pattaya (“Hotel Buildings”) with Thai Pattana Fund 2 (“The Fund”) to operate the hotel business for a period of 10 years, starting from 23 December 2003 onwards. Thus, CHBR agreed to pay the rent, on a semi-annual basis, by instalments of Baht 55 million each. The lease rate will be in force for the lease period starting from the date of signing the agreement until 28 February 2007, after which the contracting parties will adjust the rental as appropriate. The first payment of rent was due on 26 August 2004 to cover the lease period from 23 December 2003 until 31 August 2004 and the next payment is due on the third working day before the end of February and August of each year. The last payment of rent will be made upon termination or ending of the agreement, in the amount calculated based on the actual number of days counting from the date following the preceding payment of rent until the end of the agreement (See note 14)

In addition, CHBR agreed to build a building or other construction on the leased land in order to add value to the land and hotel buildings as compensation to the Fund for agreeing with CHBR to lease the assets and, one year after the beginning of the lease period, CHBR agreed to renovate and/or consider to renovate the hotel building to improve the value of leased assets and the suitability of its hotel business.

On 1 March 2006, the Company entered into a leasehold rights transfer agreement with CHBR and the Fund. The transfer agreement granted the Company the leaseholder rights and responsibilities under land and hotel buildings lease agreement.

On 23 December 2003, Central International Development Co., Ltd (“the Consignor”) entered into a consignment agreement of land and building with Thai Pattana Fund 2 (“the Consignee”) and other party as another consignor had entered into a consignment agreement of land with Thai Pattana Fund 2 (“the Consignee”) for Central Hua Hin Beach Resort (“CHBR”) to lease and operate the hotel business, the contracting parties of which agreed with the consignors or Central Hua Hin Beach Resort Co., Ltd. or Central Plaza Hotel Public Company Limited, either of which will have the right to redeem the assets on consignment from the consignee at the redeemable price stipulated in the agreement within ten years counting from the registration date of the ownership transfer or in the case of the one who has the right to redeem wishing to finalize the redemption of the assets on consignment prior to ten years’ period will have to notify the consignee in writing, in advance not less than 30 days before the next installment is due.

On 18 December 2003, both consignors issued the renounce letter for the right to redeem the assets on consignment to CHBR and Central Plaza Hotel Public Company Limited.

As guarantee for the repayment and compliance with this agreement, Central Plaza Hotel Public Co., Ltd. has prepared a guarantee letter for the repayment of CHBR to Thai Pattana Fund 2.

On 1 March 2006, CHBR issued the renounce letter for the right to redeem the assets on consignment for the Company only.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Long - term service agreements*

**The Company**

On 1 July 2004, the Company entered into management agreements with its subsidiaries, effective from 1 January 2004. Management fee would be paid on a quarterly basis. The parties to the agreement have the right to amend the agreement, as detailed below:

- The Company entered into management agreements with its seven subsidiaries in the hotel group to manage the hotel operations. Under the said agreements, the Company would receive management fee based on the percentage of net sales specified in the agreements, divided into operational management fee and marketing management fee.
- The Company entered into a marketing management agreement with another subsidiary in the hotel group. Under this agreement, the Company would receive the marketing management fee at the percentage of net sales specified in the agreement.
- The Company entered into a management agreement with another subsidiary in the hotel group to manage the hotel's operation. Under the said agreement, the Company would receive a monthly fixed management fee as specified in the agreement.
- The Company entered into a management agreement with Central Restaurants Group Co., Ltd. ("CRG"), for the operational management of CRG. Under the said agreement, the Company would receive a monthly fixed management fee as specified in the agreement.

On 31 March 2006 and 26 May 2006, the Company entered into management agreements with Karon Phuket Hotel Co., Ltd. ("CKR") and Kata Phuket Hotel Co., Ltd. ("CKT") to manage the hotel's operation for 5 years ending March 2011 and May 2011, respectively. The agreements are automatically renewable for 5 years. Under the said agreements, the Company would receive the management fee as specified in the agreements.

**Subsidiaries**

Central Hua Hin Beach Resort Co., Ltd. ("CHBR") entered into a management agreement with AAPC (Thailand) Limited. Under the terms of the management agreement, the latter will provide the Hotel's management and operations for CHBR. CHBR agreed to pay a management fee, which calculated based on the method stated in the agreement. The term of the agreement is up to June 2008 and automatically renewable for one year.

On 1 January 2001, Central Hua Hin Beach Resort Co., Ltd. ("CHBR") entered into a service agreement with Harng Central Department Store Co., Ltd., in order to receive information and various suggestions, which are beneficial to CHBR. Annual service fee is Baht 10 million. Either party can extend the agreement for another 1 year, when the agreement expires. The service fee will be reviewed by both parties.

Central Sukhontha Hotel Co., Ltd. ("CSH") has entered into a rental and services agreement with Central Department Store Co., Ltd. for a period of 30 years ending on 31 May 2024. Central Department Store Co., Ltd. agreed to lease part of the building as a shopping center. Total income to CSH under the agreement will amount to approximately Baht 428 million in total.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

B-R (Thailand) Co., Ltd. (“BRT”) entered into a memorandum of practice for buying-selling of Baskin-Robbins ice-cream between BRT and Central Restaurants Group Co., Ltd. (“CRG”), relating to taking care of inventory after the production process finished (Baskin-Robbins ice-cream) which BRT produces and transfers to CRG, while BRT shall keep and take care of the said product until the product is delivered to the branch or premise of CRG’s customers.

### *Franchise agreements*

#### **The Company**

The Company entered into a franchise contract with AAPC (Thailand) Limited., on permitting the Company to operate a hotel business under the name “Sofitel” up to 30 June 2008; and in return for this right, the Company agreed to pay a fee based on the total accommodation income, at the rate specified in the contract.

#### **Subsidiaries**

Central Sukhontha Hotel Co., Ltd. (“CSH”) entered into a franchise agreement with AAPC (Thailand) Co., Ltd, whereby CSH was allowed to use the name of “Novotel” up to 30 June 2008. In consideration thereof, CSH agreed to pay a fee at the percentage of room revenue as stated in the agreement.

### *Sublicense agreement*

On 3 November 2003, Central Restaurants Group Co., Ltd. (“CRG”), being granted a sublicense from Central Ice Cream Co., Ltd., entered into a sublicense agreement with B-R (Thailand) Co., Ltd., which allowed CRG to operate under the trademark of “Baskin - Robbins” on its products in the Kingdom of Thailand.

### *Long - term lease and service agreements*

Central Restaurants Group Co., Ltd. (“CRG”) had long-term lease and service agreements with related company for periods of 3 to 30 years up to 2026. According to the terms of the agreements, CRG has to pay monthly rental and service charges at fixed rates or at certain percentages of gross sales

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<i>Non-cancellable operating lease commitments</i>				
Within one year	241,738	209,852	-	-
After one year but within three years	213,683	197,549	-	-
After three years	26,484	35,750	-	-
<b>Total</b>	<b>481,905</b>	<b>443,151</b>	<b>-</b>	<b>-</b>



# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### Commitments under agreements with related parties

#### The Company

As at 31 December 2006, the Company guaranteed the overdraft lines, letters of credit and various guarantees for subsidiaries to various local banks totaling Baht 78 million.

The Company provided guarantee in respect to Central World Hotel Co., Ltd. ("CWH") loans to a financial institution in the amount not less than Baht 2,350 million. If CWH has an outstanding loan balance not over Baht 1,000 million and has never been in default, CWH has the right to cancel the guarantee. As at 31 December 2006, CWH has not made the first withdrawal as stated in the agreement.

### 5 Cash and cash equivalents

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
		<i>(in thousand Baht)</i>		
Cash at bank and on hand	47,342	58,567	4,028	4,707
Call deposits	33,275	15,758	-	-
<b>Total</b>	<b>80,617</b>	<b>74,325</b>	<b>4,028</b>	<b>4,707</b>

### 6 Trade accounts receivable

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
		<i>(in thousand Baht)</i>		
Within credit terms	215,570	167,945	63,488	48,078
Overdue:				
Less than 3 months	58,567	60,914	1,850	6,241
3-6 months	8,399	5,498	910	1,119
6-12 months	13,111	1,551	445	386
Over 12 months	1,189	1,200	474	722
	<b>296,836</b>	<b>237,108</b>	<b>67,167</b>	<b>56,546</b>
<i>Less allowance for doubtful accounts</i>	<i>(805)</i>	<i>(1,089)</i>	<i>(474)</i>	<i>(662)</i>
<b>Net</b>	<b>296,031</b>	<b>236,019</b>	<b>66,693</b>	<b>55,884</b>

The normal credit term granted by the Group is 15 -30 days.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### 7 Inventories

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Food and beverage	143,701	134,519	7,362	7,839
Operating supplies	64,291	59,428	3,394	3,410
Others	9,470	12,283	182	220
<b>Total</b>	<b>217,462</b>	<b>206,230</b>	<b>10,938</b>	<b>11,469</b>
<i>Less allowance for obsolete stock</i>	<i>(2,554)</i>	<i>(2,893)</i>	<i>-</i>	<i>-</i>
<b>Net</b>	<b>214,908</b>	<b>203,337</b>	<b>10,938</b>	<b>11,469</b>

### 8 Other current assets

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Advance to supplies	24,270	27,600	-	-
Revenue department receivable	118,171	59,645	12	12
Assets foreclosed	-	41,466	-	-
Prepaid expenses	21,164	42,084	13,807	18,842
Withholding income tax	5,497	4,651	4,718	3,867
Others	100,185	81,738	19,204	10,512
<b>Total</b>	<b>269,287</b>	<b>257,184</b>	<b>37,741</b>	<b>33,233</b>

### 9 Investments accounted for using the equity method

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Net book value at 1 January	-	-	4,703,327	3,465,108
Share of net profits of investments	-	-	451,984	455,070
Additional investments	-	-	395,280	1,234,247
Dividend income	-	-	(262,863)	(370,054)
Unit redemption from investment in fund	-	-	(27,708)	(17,998)
Amortisation of revaluation surplus in subsidiaries	-	-	(33,009)	(58,879)
Currency translation changes	-	-	(1,245)	(4,167)
Transfer of investment	-	-	80	-
<b>Net book value at 31 December</b>	<b>-</b>	<b>-</b>	<b>5,225,846</b>	<b>4,703,327</b>

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

Investments accounted for using the equity method as at 31 December 2006 and 2005, and dividend income from the investments for the years ended on those dates, are as follows:

	The Company									
	Ownership interest		Paid-up capital		Cost method		Equity method		Dividend	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(%)		(in thousand Baht)							
Subsidiaries										
Central Samui Beach Resort Co., Ltd.	100.0	100.0	250,000	250,000	394,383	394,383	837,409	761,911	-	-
Central Karon Village Co., Ltd.	100.0	100.0	150,000	150,000	189,000	189,000	208,174	195,809	-	-
Central Krabi Bay Resort Co., Ltd.	100.0	100.0	500,000	500,000	500,000	500,000	318,586	465,681	-	-
Central World Hotel Co., Ltd.	100.0	100.0	1,000,000	1,000,000	1,000,000	1,000,000	958,804	989,609	-	-
Central Koh Kood Hotel Co., Ltd.	100.0	100.0	120,000	120,000	120,000	120,000	119,653	119,794	-	-
Central Hua Hin Beach Resort Co., Ltd	63.9	63.9	185,000	185,000	198,905	198,905	415,244	403,594	59,155	47,324
Central Hotel Management Co., Ltd.	100.0	100.0	1,000,000	1,000,000	999,999	999,999	673,848	578,289	-	-
Central Restaurants Group Co., Ltd.	100.0	100.0	620,000	620,000	669,607	669,607	1,100,738	937,294	40,052	197,028
Jointly controlled entities										
Karon Phuket Hotel Co., Ltd.	50.00	-	360,000	-	180,000	-	129,546	-	-	-
Kata Phuket Hotel Co., Ltd.	50.00	-	120,000	-	60,000	-	56,903	-	-	-
Property funds										
Thai Pattana Fund I	20.04	20.04	1,350,000	1,350,000	201,533	219,531	231,152	251,346	119,044	125,702
Thai Pattana Fund II	23.83	0.01	815,000	-	145,650	-	175,789	-	44,612	-
Total			6,470,000	5,175,000	4,659,077	4,291,425	5,225,846	4,703,327	262,863	370,054

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**10 Property, plant and equipment**

	<b>Consolidated</b>									
	Land	Land improvement	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment (in thousand Baht)	Hotel operating equipment	Leasehold improvement	Vehicles	Construction in progress	<b>Total</b>
<i><b>Cost/valuation</b></i>										
At 1 January 2005	1,900,096	44,573	4,041,183	1,258,917	1,704,340	85,063	67,765	111,147	286,466	9,499,550
Additions	123,582	1,230	174,303	153,395	146,809	35,338	86	17,522	1,253,406	1,905,671
Transfers, net	-	(842)	38,472	8,091	15,465	458	92	320	(62,056)	-
Disposals	(4,382)	-	(54,708)	(35,926)	(32,221)	(11,579)	(1,313)	(9,811)	(292)	(150,232)
Transfer to foreclosed assets	-	-	(16,341)	(3,371)	(21,168)	(2,040)	-	-	-	(42,920)
<b>At 31 December 2005</b>	<b>2,019,296</b>	<b>44,961</b>	<b>4,182,909</b>	<b>1,381,106</b>	<b>1,813,225</b>	<b>107,240</b>	<b>66,630</b>	<b>119,178</b>	<b>1,477,524</b>	<b>11,212,069</b>
Additions	195,768	2,020	692,456	182,316	164,086	37,919	658	25,776	1,526,420	2,827,419
Transfers, net	-	158,703	900,920	74,581	271,583	(179)	278	29,008	(1,434,894)	-
Disposals	-	-	(128,257)	(46,568)	(29,825)	(17,851)	-	(3,955)	(280)	(226,736)
<b>At 31 December 2006</b>	<b>2,215,064</b>	<b>205,684</b>	<b>5,648,028</b>	<b>1,591,435</b>	<b>2,219,069</b>	<b>127,129</b>	<b>67,566</b>	<b>170,007</b>	<b>1,568,770</b>	<b>13,812,752</b>
<i><b>Accumulated depreciation</b></i>										
At 1 January 2005	-	23,881	2,047,595	1,034,103	1,266,238	-	22,764	62,765	-	4,457,346
Depreciation charge for the year	-	8,408	259,385	87,149	161,021	-	12,306	19,648	-	547,917
Transfers, net	-	(3,857)	(711)	110	4,458	-	-	-	-	-
Disposals	-	-	(28,195)	(40,776)	(13,959)	-	(747)	(7,007)	-	(90,684)
Transfer to foreclosed assets	-	-	(7,434)	(3,089)	(20,111)	-	-	-	-	(30,634)
<b>At 31 December 2005</b>	<b>-</b>	<b>28,432</b>	<b>2,270,640</b>	<b>1,077,497</b>	<b>1,397,647</b>	<b>-</b>	<b>34,323</b>	<b>75,406</b>	<b>-</b>	<b>4,883,945</b>
Depreciation charge for the year	-	21,559	319,392	122,157	158,832	-	11,628	23,967	-	657,535
Transfers, net	-	-	-	(73)	100	-	-	(27)	-	-
Disposals	-	-	(81,322)	(39,792)	(27,180)	-	-	(4,094)	-	(152,388)
<b>At 31 December 2006</b>	<b>-</b>	<b>49,991</b>	<b>2,508,710</b>	<b>1,159,789</b>	<b>1,529,399</b>	<b>-</b>	<b>45,951</b>	<b>95,252</b>	<b>-</b>	<b>5,389,092</b>

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

	Consolidated									
	Land	Land improvement	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment (in thousand Baht)	Hotel operating equipment	Leasehold improvement	Vehicles	Construction in progress	Total
<i>Allowance for impairment of assets</i>										
At 1 January 2005	-	-	6,321	-	500	-	-	-	-	6,821
Additions	-	-	7,910	215	-	-	-	-	-	8,125
Disposals	-	-	-	-	(500)	-	-	-	-	(500)
Transfer to foreclosed assets	-	-	(8,067)	-	-	-	-	-	-	(8,067)
<b>At 31 December 2005</b>	-	-	<b>6,164</b>	<b>215</b>	-	-	-	-	-	<b>6,379</b>
Additions	-	-	5,113	10	1,490	-	-	-	-	6,613
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At 31 December 2006</b>	-	-	<b>11,277</b>	<b>225</b>	<b>1,490</b>	-	-	-	-	<b>12,992</b>
<i>Net book value</i>										
<b>At 31 December 2005</b>	<b>2,019,296</b>	<b>16,529</b>	<b>1,906,105</b>	<b>303,394</b>	<b>415,578</b>	<b>107,240</b>	<b>32,307</b>	<b>43,772</b>	<b>1,477,524</b>	<b>6,321,745</b>
<b>At 31 December 2006</b>	<b>2,215,064</b>	<b>155,693</b>	<b>3,128,041</b>	<b>431,421</b>	<b>688,180</b>	<b>127,129</b>	<b>21,615</b>	<b>74,755</b>	<b>1,568,770</b>	<b>8,410,668</b>

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

	The Company								
	Land	Building and improvement	Furniture, fixtures and equipment	Machinery and equipment	Hotel operating equipment <i>(in thousand Baht)</i>	Leasehold improvement	Vehicles	Construction in progress	Total
<i>Cost/valuation</i>									
At 1 January 2005	-	1,095,930	473,639	531,082	32,626	67,766	62,643	2,578	2,266,264
Additions	-	1,474	15,170	12,510	4,321	85	3,320	30,996	67,876
Transfers, net	-	1,554	2,378	507	-	92	-	(4,531)	-
Disposals	-	(373)	(4,039)	(15,210)	(2,946)	(1,313)	(2,155)	-	(26,036)
<b>At 31 December 2005</b>	-	<b>1,098,585</b>	<b>487,148</b>	<b>528,889</b>	<b>34,001</b>	<b>66,630</b>	<b>63,808</b>	<b>29,043</b>	<b>2,308,104</b>
Additions	772,117	180	5,103	10,232	9,682	657	3,195	149,926	951,092
Transfers, net	-	-	912	10,977	-	278	-	(12,167)	-
Disposals	-	-	(2,715)	(2,059)	(6,212)	-	-	-	(10,986)
<b>At 31 December 2006</b>	<b>772,117</b>	<b>1,098,765</b>	<b>490,448</b>	<b>548,039</b>	<b>37,471</b>	<b>67,565</b>	<b>67,003</b>	<b>166,802</b>	<b>3,248,210</b>
<i>Accumulated depreciation</i>									
At 1 January 2005	-	908,261	435,315	428,852	-	22,763	39,777	-	1,834,968
Depreciation charge for the year	-	50,607	14,794	38,260	-	12,306	11,270	-	127,237
Transfers, net	-	-	-	-	-	-	-	-	-
Disposals	-	(317)	(3,448)	(13,217)	-	(747)	(2,155)	-	(19,884)
<b>At 31 December 2005</b>	-	<b>958,551</b>	<b>446,661</b>	<b>453,895</b>	-	<b>34,322</b>	<b>48,892</b>	-	<b>1,942,321</b>
Depreciation charge for the year	-	49,697	14,126	25,670	-	11,628	8,372	-	109,493
Transfers, net	-	-	-	-	-	-	-	-	-
Disposals	-	-	(2,633)	(1,897)	-	-	-	-	(4,530)
<b>At 31 December 2006</b>	-	<b>1,008,248</b>	<b>458,154</b>	<b>477,668</b>	-	<b>45,950</b>	<b>57,264</b>	-	<b>2,047,284</b>
<i>Net book value</i>									
<b>At 31 December 2005</b>	-	<b>140,034</b>	<b>40,487</b>	<b>74,994</b>	<b>34,001</b>	<b>32,308</b>	<b>14,916</b>	<b>29,043</b>	<b>365,783</b>
<b>At 31 December 2006</b>	<b>772,117</b>	<b>90,517</b>	<b>32,294</b>	<b>70,371</b>	<b>37,471</b>	<b>21,615</b>	<b>9,739</b>	<b>166,802</b>	<b>1,200,926</b>

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

### For the years ended 31 December 2006 and 2005

At 31 December 2006, three subsidiaries and two joint ventures, pledged land, buildings and construction as collateral for bank overdrafts and long term loan with financial institutions and property funds.

The land lease agreement for the Hua Hin Railway Hotel stipulates that hotel buildings and premises including the additional fixtures paid by a subsidiary, Central Hua Hin Beach Resort Co., Ltd., belong to the State Railway of Thailand.

At 31 December 2006, property, plant and equipment of the group at the carrying value before accumulated depreciation of Baht 2,305.60 million (2548: *Baht 2,212.72 million*), were fully depreciated, but still in use.

At 31 December 2006, property, plant and equipment of the Company at the carrying value before accumulated depreciation of Baht 912.59 million (2548: *Baht 861.24 million*), were fully depreciated, but still in use.

#### *Revaluation of assets*

The last revaluations of the Group's property, plant and equipment were made by independent professional valuers in 2004. The revaluations were mainly applied the Depreciated Replacement Cost approach. The valuation surplus is shown under "revaluation surplus" under shareholders' equity.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### 11 Leasehold rights

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Cost / valuation	842,301	907,453	230,195	227,349
Less accumulated amortisation	<u>(400,339)</u>	<u>(421,537)</u>	<u>(196,346)</u>	<u>(176,575)</u>
<b>Net</b>	<b><u>441,962</u></b>	<b><u>485,916</u></b>	<b><u>33,849</u></b>	<b><u>50,774</u></b>
Amortisation for the year	<b><u>40,683</u></b>	<b><u>39,285</u></b>	<b><u>9,611</u></b>	<b><u>9,611</u></b>

The last revaluations of the Group's leasehold rights were made by independent professional valuers in 2004. The revaluations were mainly applied the Return on Investment approach. The valuation surplus is shown under "revaluation surplus" under shareholders' equity.

### 12 Goodwill

	Consolidated	
	2006	2005
	<i>(in thousand Baht)</i>	
At 1 January	135,404	(84)
Addition during the year	-	143,662
Less amortisation for the year	<u>(14,759)</u>	<u>(8,174)</u>
<b>At 31 December</b>	<b><u>120,645</u></b>	<b><u>135,404</u></b>

### 13 Other non-current assets

	Consolidated		The Company	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Deferred initial fee	74,456	69,271	-	-
Deposits	162,163	137,359	3,258	4,067
Advance payment for construction	184,279	7,758	-	-
Advance payment for land	144,365	1,000	113,854	1,000
Prepaid licence fee	28,182	29,867	-	-
Others	59,715	61,636	51,188	60,053
<b>Total</b>	<b><u>653,160</u></b>	<b><u>306,891</u></b>	<b><u>168,300</u></b>	<b><u>65,120</u></b>



# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### 14 Interest-bearing liabilities

*Bank overdrafts and short-term loans from financial institutions*

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Secured	112,187	44,101	-	-
Unsecured	913,315	511,057	653,459	345,034
<b>Total</b>	<b><u>1,025,502</u></b>	<b><u>555,158</u></b>	<b><u>653,459</u></b>	<b><u>345,034</u></b>

Bank overdrafts and short-term loans from financial institutions bear interest at market rates.

*Long-term loans*

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Secured	968,000	490,000	-	-
Unsecured	200,000	34,000	200,000	-
<b>Total</b>	<b><u>1,168,000</u></b>	<b><u>524,000</u></b>	<b><u>200,000</u></b>	<b><u>-</u></b>

The period to maturity of long-term loans (denominated in Thai Baht) is as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Within one year	<u>57,500</u>	<u>34,000</u>	<u>50,000</u>	<u>-</u>
After one year but within five years	624,000	245,000	150,000	-
After five years	486,500	245,000	-	-
	<u>1,110,500</u>	<u>490,000</u>	<u>150,000</u>	<u>-</u>
<b>Total</b>	<b><u>1,168,000</u></b>	<b><u>524,000</u></b>	<b><u>200,000</u></b>	<b><u>-</u></b>

Long-term loans bear interest at market rates.

Bank overdrafts and short-term loans from financial institutions, and long-term loans of the Group as at 31 December 2006 and 2005 were secured by the Group's property, plant and equipment with carrying value of Baht 1,680 million as at 31 December 2006 and Baht 1,164 million as at 31 December 2005.

A subsidiary entered into an agreement with a local bank to obtain short-term credit facility line totaling Baht 115 million. Under the term of the agreement, the subsidiary shall not dispose, pledge or mortgage the existing or future property and leasehold right in an amount over Baht 20 million without consent from the bank.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### Debentures

	Interest rate (%)	Maturity date	<b>Consolidated/The Company</b>	
			2006	2005
			<i>(in thousand Baht)</i>	
No. 1/2005	5.73	30 October 2007	400,000	400,000
No. 2/2005	4.00	30 June 2007	300,000	300,000
No. 1/2006	6.13	20 February 2009	300,000	-
			<u>1,000,000</u>	<u>700,000</u>
Less deferred expense in issuing debenture			<u>(1,139)</u>	<u>(1,953)</u>
<b>Net</b>			<b>998,861</b>	<b>698,047</b>
Less debenture due within one year			<u>(699,182)</u>	<u>-</u>
<b>Debenture due after one year</b>			<b>299,679</b>	<b>698,047</b>

The debentures are in respect of a specified holder, unsubordinated and without collateral.

The debenture contains certain restriction on financial ratios, payment of dividends, decrease in paid up share capital, pledge, mortgage, and disposal of assets, which are material to business operation.

### Unit holder in property fund equity

	<b>Consolidated</b>	
	2006	2005
	<i>(in thousand Baht)</i>	
Due within one year	<u>133,959</u>	<u>133,959</u>
Due after one year but within five years	535,838	535,836
Due after five years	<u>600,961</u>	<u>734,922</u>
	<u>1,136,799</u>	<u>1,270,758</u>
<b>Total</b>	<b>1,270,758</b>	<b>1,404,717</b>

As at 31 December 2006 and 2005, unit holder equity consisted of investment of unit holder type A, (denominated in Thai Baht) which guaranteed for payment by the Company. Dividend payment is for such type of unit holders calculated at the percentage of the latest net asset value per unit as specified in the unit holder agreement.

The amount due to unit holder in property fund equity classified by property funds as follows

	<b>Consolidated</b>	
	2006	2005
	<i>(in thousand Baht)</i>	
Thai Pattana Fund 1	805,758	877,717
Thai Pattana Fund 2	<u>465,000</u>	<u>527,000</u>
<b>Total</b>	<b>1,270,758</b>	<b>1,404,717</b>

Central Samui Beach Resort Co., Ltd.'s land with carrying value of Baht 215 million, as at 31 December 2006 and 2005, was mortgaged as collateral for amounts due to Thai Pattana Fund 1. (See Note 4)

The Company's land title deed with carrying value of Baht 772 million, as at 31 December 2006 and 2005, was under the name of Thai Pattana Fund 2, the Consignee. The land relates to Central Wong Amat Beach Resort Project, Pattaya. (See Note 4)

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Unused credit facilities*

As at 31 December 2006, the Group had unused credit facilities of Baht 2,736 million.

**15 Other current liabilities**

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in million Baht)</i>			
Dividend payable to unit holder in property fund	19,793	17,908	-	-
Payables for purchasing of fixed assets	302,917	148,844	-	-
Accrued land rental to property fund	-	-	36,667	-
Accrued expenses	302,079	285,344	38,301	24,436
Other payables	21,671	34,553	13,233	19,316
Deferred member card income	34,253	27,167	31,550	24,441
Deposits	80,669	46,649	19,996	15,957
Retention	233,497	34,227	-	-
Other	83,196	62,539	28,721	28,567
<b>Total</b>	<b><u>1,078,075</u></b>	<b><u>657,231</u></b>	<b><u>168,468</u></b>	<b><u>112,717</u></b>

**16 Share capital**

Share capital, ordinary shares

	<i>Par value (in Baht)</i>	<i>Number (thousand shares)</i>	<i>Amount (in thousand Baht)</i>
<b>Authorised</b>			
At 1 January and 31 December 2005	5	<u>180,000</u>	<u>900,000</u>
Change of par from Baht 5 per share to Baht 1 per share	1	900,000	900,000
Increase	1	<u>680,800</u>	<u>680,800</u>
At 31 December 2006		<u>1,580,800</u>	<u>1,580,800</u>
<b>Issued and paid-up</b>			
At 1 January and 31 December 2005	5	<u>180,000</u>	<u>900,000</u>
Change of par value from Baht 5 per share to Baht 1 per share	1	900,000	900,000
Issue of new shares	1	<u>450,000</u>	<u>450,000</u>
At 31 December 2006		<u>1,350,000</u>	<u>1,350,000</u>

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

*Change of authorised share capital*

At the extraordinary shareholders' meeting no. 1/2006, held on 21 June 2006, the shareholders approved the following:

- (a) A change of the par value of the shares from Baht 5 per share to Baht 1 per share (resulting in an increase of the total issued and outstanding shares of the Company from 180,000,000 shares to 900,000,000 shares).
- (b) An increase in the Company's authorized share capital from Baht 900,000,000 to Baht 1,580,800,000 (consisting of 1,580,800,000 ordinary shares) by issuing 680,800,000 new ordinary shares with the par value of Baht 1 each.
- (c) Allocation of 680,800,000 new ordinary shares as follows:
  - Up to 450,000,000 ordinary shares by way of right offering to existing shareholders at the ratio of 2 existing ordinary shares to 1 new ordinary share at Baht 1.60 per share.
  - Up to 170,000,000 ordinary shares by way of public offering.
  - Up to 60,800,000 ordinary shares to accommodate the exercise of the warrants.
- (d) Issuance and offering for sale of 60,800,000 units of free warrants to the shareholders of the Company at the ratio of 25 ordinary shares for 1 unit of warrants.

The Company registered the change in par value and increase in authorized capital with the Ministry of Commerce on 22 June 2006 and 29 June 2006, respectively.

*Change in issued and paid-up share capital*

In July 2006, the Company issued 450,000,000 ordinary shares at Baht 1.60 per share, increasing its issued and paid-up ordinary shares by Baht 450,000,000 and the share premium by Baht 270,000,000. The Company registered the increase in paid-up capital with the Ministry of Commerce on 3 August 2006.

**17 Reserves**

*Share premium*

The share premium account is set up under the provisions of Section 51 of the Public Companies Act B.E. 2535, which requires companies to set aside share subscription monies received in excess of the par value of the shares issued to a reserve account ("share premium"). The account is not available for dividend distribution.

*Currency translation changes*

The currency translation reserve comprises foreign exchange differences arising from translation of the financial statements of foreign operations to Thai Baht for preparation of consolidated financial statements.

*Fair value changes*

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### *Revaluation surplus*

Revaluation surplus represents surplus from the revaluation of property, plant and equipment, and leasehold rights.

### *Legal reserve*

The legal reserve is set up under the provisions of Section 116 of the Public Companies Act B.E. 2535. Section 116 requires that a company shall allocate not less than 5% of its annual net profit, less any accumulated losses brought forward, to a reserve account (“legal reserve”), until this account reaches an amount not less than 10% of the registered authorised capital. The legal reserve is not available for dividend distribution.

## 18 Other income

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Interest income	2,086	1,724	37,918	8,971
Management fee income	19,833	14,811	104,208	71,017
Rental income	4,553	5,117	500	-
Amortisation of deferred income	14,459	14,279	-	-
Subsidy	13,390	17,295	-	-
Gain on sale of floating hotel	107,377	-	-	-
Other	38,782	32,365	6,311	8,072
<b>Total</b>	<b>200,480</b>	<b>85,591</b>	<b>148,937</b>	<b>88,060</b>

## 19 Interest expense

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Interest paid and payable to:				
- related parties	-	-	63,513	32,580
- financial institutions	84,604	26,939	37,126	15,754
- debenture holders	50,791	4,317	50,791	4,317
<b>Total finance costs</b>	<b>135,395</b>	<b>31,256</b>	<b>151,430</b>	<b>52,651</b>
<i>Less finance costs capitalised</i>	<i>(2,608)</i>	<i>(6,570)</i>	<i>-</i>	<i>-</i>
	<b>132,787</b>	<b>24,686</b>	<b>151,430</b>	<b>52,651</b>

Finance costs for properties under development have been capitalised at rates ranging from 2% to 6.75% (2005: 2% to 3%) per annum.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**20 Income tax**

*Income tax reduction*

Royal Decree No. 387 B.E. 2544 dated 5 September 2001 grants companies listed on the Stock Exchange of Thailand on or before 6 September 2001 a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the five consecutive accounting periods beginning on or after enactment. The Company has, accordingly, calculated income tax on the portion of its taxable profit for the years ended 31 December 2006 and 2005 not exceeding Baht 300 million at the 25% corporate income tax rate.

**21 Earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2006 was based on the profit attributable to ordinary shareholders of Baht 417 million (2005: *Baht 536 million*) and the weighted average number of shares outstanding during the year of 1,086 million shares (2005: *900 million shares*)

At the extraordinary shareholders' meeting, no. 1/2006, held on 21 June 2006, the shareholders unanimously approved the resolution to change the par of shares from Baht 5 per share to Baht 1 per share. The Company calculated the basic earnings per share for the year ended 31 December 2005 by dividing the net profit by the ordinary share equivalent of Baht 1 per share, totaling 900 million shares, for the comparison with the financial statements for the year ended 31 December 2006, respectively.

**22 Dividends**

At the ordinary shareholders' meeting held on 27 April 2005, the shareholders unanimously approved the distribution of dividends for the year ended 31 December 2004 at Baht 1.25 per share (totaling Baht 225 million).

At the ordinary shareholders' meeting held on 24 April 2006, the shareholders unanimously approved the distribution of dividends for the year ended 31 December 2005 at Baht 1.25 per share (totaling Baht 225 million).

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### 23 Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest or dividend-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

#### *Business segments*

The Group comprises the following main business segments:

<i>Segment 1</i>	Hotel
<i>Segment 2</i>	Food and ice-cream
<i>Segment 3</i>	Property fund

#### *Business segment results*

	Hotel		Food and ice-cream		Property fund		Total Continuing		Discontinued		Eliminations		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	<i>(in million Baht)</i>													
Revenue	2,566	2,304	4,187	3,894	365	411	7,118	6,609	-	24	(436)	(479)	6,682	6,154
Net profit	14	90	227	292	280	326	521	708	95	(17)	(199)	(155)	417	536
Property plant and equipment, net	7,432	5,452	1,002	880	-	-	8,434	6,332	-	4	(23)	(14)	8,411	6,322
Total assets	18,639	14,382	1,836	1,742	1,961	2,038	22,436	18,162	-	5	(11,943)	(10,121)	10,493	8,046

The discontinued operation was the subsidiary operating in hotel business, Central Maritime Hotel, Dili, East Timor, which discontinued the operation from 30 June 2005

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**24 Personnel expenses**

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
Wages and salaries	966,405	847,559	210,126	196,942
Contribution to provident fund	11,859	11,196	11,831	11,196
Others	382,748	351,495	131,674	125,048
<b>Total</b>	<b><u>1,361,012</u></b>	<b><u>1,210,250</u></b>	<b><u>353,631</u></b>	<b><u>333,186</u></b>
	<i>(number of employees)</i>			
Number of employees as at 31 December	<u>8,934</u>	<u>8,307</u>	<u>1,100</u>	<u>1,124</u>

The Company has an established contributory provident fund for its employees. Membership to the fund is on a voluntary basis. Contributions are made monthly based on a certain percentage of the employee's basic salaries depending on the length of employment by the employees and the Company. The provident fund is registered with the Ministry of Finance as juristic entity and is managed by a licensed Fund Manager.

**25 Financial instruments**

***Financial risk management policies***

The Group is exposed to normal business risks from changes in market interest rates and from non-performance of contractual obligations by counterparties. The Group does not issue derivative financial instruments for speculative or trading purposes.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

***Interest rate risk***

Interest rate risk is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Company's exposure to interest rate risk relates primarily to its short-term loans from financial institutions and long-term loans. The Company does not use derivative financial instrument to hedge such risk.



**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

***Foreign currency risk***

The Group operates mainly in Baht currency. Accordingly, the Company does not have material foreign currency risk.

***Credit risk***

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

***Liquidity risk***

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

***Fair values***

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In determining the fair value of its financial assets and liabilities, the Group takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

Since the majority of the financial assets and liabilities classified as short-term and loans are bearing interest at rates close to current market rate, the management believes that as at 31 December 2006 and 2005, the carrying value of the Company's financial instruments does not materially differ from their aggregate fair value.

**Central Plaza Hotel Public Company Limited and its Subsidiaries**  
**Notes to the financial statements**  
**For the years ended 31 December 2006 and 2005**

**26 Long-term contracts**

*Long-term lease agreement*

**Subsidiary**

On 4 October 1985, a subsidiary, Central Hua Hin Beach Resort Co., Ltd. (“CHBR”), entered into a lease agreement with the State Railway of Thailand (SRT) covering land, hotel buildings and premises of the Hua Hin Railway Hotel for thirty (30) years, expiring on 15 January 2016. The agreement will be automatically renewable for an additional period of 3 years and 4 months and has two additional renewable options of 15 years each. CHBR has to pay rent at an amount stipulated in the agreement commencing on 15 January 1986.

Under the terms of the agreement, CHBR has to transfer the ownership of any additions to the original buildings and premises including any additional fixtures to SRT.

*Franchise agreements*

**Subsidiaries**

On 20 January 2004, Central Restaurants Group Co., Ltd. (“CRG”) was granted the right under a consent letter of the franchise agreement with Thai Franchising Co., Ltd. and Duskin Co., Ltd., which is registered in Japan, whereby the latter allowed CRG to use the trademark “Mister Donut” in the Kingdom of Thailand. In consideration thereof, CRG is committed to pay a monthly royalty fee at the rate specified in the agreement. The agreement is in force until 31 March 2018.

In May 2004, Central Restaurants Group Co., Ltd. (“CRG”), entered into a franchise agreement with a local company, whereby the latter allowed CRG to open outlets and use the trademark “Pizza Hut” and “KFC” within 5 years. Such outlets shall continue using trademark “Pizza Hut” and “KFC” for 10 years, renewable for 12 to 18 months with advance notice for renewable. In consideration thereof, CRG is committed to pay royalty fee at the rate specified in the agreement.

On 2 October 2003, Central Restaurants Group Co., Ltd. (“CRG”) was granted the right under a consent letter of a development agreement, rights agreement and trademarks agreement with Food Novelties Co., Ltd. and a foreign company, which permitted CRG to use trademarks, rights and development rights to establish and operate sales outlets for pretzels and beverages under the name “AUNTIE ANNE’S”. According to the terms of the contracts, CRG is committed to pay a franchise fee and initial fee for every new outlet. In addition, CRG has to pay for franchise and advertisement expenses, at the agreed percentage of the sales volume. This agreement is in force until 15 May 2012.

In September 2003, B-R (Thailand) Co., Ltd. (“BRT”) entered into a license agreement with Baskin-Robbins International Company Limited (“BRINT”) for 20 years commencing 22 September 2003. BRINT granted a license to BRT in respect of the rights in operation and the trademark such that the BRT may use in the manufacture, distribution and marketing of the product in the territory and BRT shall pay a license and technical assistance fee as stated in the agreement.

# Central Plaza Hotel Public Company Limited and its Subsidiaries

## Notes to the financial statements

For the years ended 31 December 2006 and 2005

### 27 Commitments

	<b>Consolidated</b>		<b>The Company</b>	
	2006	2005	2006	2005
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided				
- Purchase of land	64,300	64,260	64,300	64,260
- Hotel construction	1,450,381	1,259,028	25,377	-
<b>Total</b>	<b>1,514,681</b>	<b>1,323,288</b>	<b>89,677</b>	<b>64,260</b>

*Non-cancellable operating lease and service commitments of Central Restaurant Groups Co., Ltd.*

Within one year	93,581	89,262	-	-
After one year but within three years	81,058	84,051	-	-
After three years	13,659	44,727	-	-
<b>Total</b>	<b>188,298</b>	<b>218,040</b>	<b>-</b>	<b>-</b>

### 28 Reclassification of accounts

Certain accounts in the 2005 financial statements have been reclassified to conform with the presentation in the 2006 financial statements.

### 29 Revised accounting standard not yet adopted

On 11 October 2006, the Federation of Accounting Profession (FAP) announced that the Thai Accounting Standard No. 44 (TAS No. 44) "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" is to be revised. FAP announcement No. 26/2006 requires a parent company which has investments in a subsidiary company, an entity under joint control, or an associate company, which is not classified as a "held for sale" investment, to record such investment in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when an announcement is made), instead of the equity method currently used. This revision to TAS No. 44 is applicable to financial statements covering periods beginning on or after 1 January 2007, with early adoption encouraged.

The Company proposes to adopt the change in accounting treatment for its investments in subsidiary companies and jointly controlled entities for the Company's 2007 financial statements. The change in accounting treatment will be applied retrospectively and the Company's 2006 financial statements, which will be included in the Company's 2007 financial statements for comparative purposes, will be restated accordingly. The effect of the change on the Company's financial statements has not presently been determined by management. The consolidated financial statements of the Group will not be affected by the change.