

TPI Polene Public Comapny Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

Note	Contents
1	General information
2	Basis of preparation of financial statements
3	Significant accounting policies
4	Significant matters relating to the business operations of the Company and its subsidiaries
5	Related party transactions and balances
6	Cash and cash equivalents
7	Other investments
8	Trade accounts receivable
9	Inventories
10	Other current assets
11	Investments accounted for using the equity method
12	Long-term investments in related parties
13	Property, plant and equipment
14	Surplus on fixed assets revaluation
15	Intangible assets
16	Other non-current assets
17	Trade accounts payable
18	Other current liabilities
19	Interest-bearing liabilities
20	Other non-current liabilities
21	Share capital
22	Reserves
23	Reduction in deficit
24	Company's shares held by a subsidiary
25	Segment information
26	Other income
27	Interest expense
28	Extraordinary items
29	Earnings per share
30	Revenue reporting of a promoted industry
31	Financial instruments
32	Commitments and contingent liabilities
33	Long-term lease agreements
34	Reclassification of accounts

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

These notes form an integral part of the financial statements.

The financial statements were authorized for issue by the Plan Administrator on 24 February 2006.

1 General information

TPI Polene Public Company Limited, the “Company”, is incorporated in Thailand and has its registered office at 26/56, TPI Tower, Chan Tat Mai Road, Tungmahamek, Sathorn, Bangkok.

The Company was listed on the Stock Exchange of Thailand in November 1990.

The Company operates in 2 major industries and has 11 distribution terminals around the country. It operates in the cement industry at Kang-Khoi, Saraburi and has 6 plants consisting of 3 cement manufacturing plants and 3 dry mortar manufacturing plants. It operates in the plastic industry at Amphur Muang, Rayong and has 2 LDPE and EVA plastic manufacturing plants. In addition, the Company had 5 subsidiaries as follows:

TPI Concrete Co., Ltd. is a 99.99% owned subsidiary operating a ready-mixed concrete manufacturing and distributing business with its head office located at 26/56 TPI Tower, Chan Tat Mai Road, Tungmahamek, Sathorn, Bangkok. As at 31 December 2005, such subsidiary had 36 batching plants in operation (*2004: 33*).

The other 4 subsidiaries consist of TPI Polene Power Co., Ltd, TPI All Seasons Co., Ltd., Thai Propoxide Co., Ltd. which are 99.99% owned subsidiaries and Polene Plastic Co., Ltd., in which TPI Polene Power Co., Ltd. holds a 99.99% shareholding. Currently, these subsidiaries have not yet commenced operations.

The Company and its subsidiaries (together referred to as the “Group”) employ 5,232 employees as of 31 December 2005 (*2004: 5,028*). The employee costs of the Group for the year ended 31 December 2005 amounted to Baht 1,823 million (*2004: Baht 1,714 million*).

2 Basis of preparation of 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 (“FAP”) 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 disclosed in the accounting policies.

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 judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

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.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates. Details of the Company’s subsidiaries are as follows:

	Type of business	Country of incorporation	Ownership interest	
			2005	2004
<i>Direct subsidiaries</i>				
TPI Concrete Co., Ltd.	Manufacturing and distributing ready mixed concrete	Thailand	99.99%	99.99%
TPI Polene Power Co., Ltd.	Manufacturing and distributing electricity and steam (not yet operating)	Thailand	99.99%	99.99%
TPI All Seasons Co., Ltd.	Transporting ready mixed concrete (not yet operating)	Thailand	99.99%	99.99%
Thai Propoxide Co., Ltd.	Manufacturing and distributing electricity (not yet operating)	Thailand	99.99%	99.99%
<i>Indirect subsidiary</i>				
Polene Plastic Co., Ltd.	Manufacturing and distributing chemicals (not yet operating)	Thailand	99.99%	99.99%

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

The consolidated and the Company’s financial statements for each of the years ended 31 December 2005 and 2004 include the audited financial statements of subsidiaries (2004: audited by another auditors) and certain financial information of associated companies prepared by management, which has not been audited by an auditor. The financial statements of these subsidiaries reflect percentage of total assets, total revenues and net profit and share of profit (losses) in consolidated and the Company’s financial statements, including the share of profits (losses) of associated companies under the equity method as follows:

	Consolidated		Associated Companies	The Company Only		Associated companies
	2005	2004		2005	2004	
	Associated companies	Subsidiaries		Associated companies	Subsidiaries	
Number of companies	4	4	4	4	4	4
Total assets (%)	-	1.20	-	-	-	-
Total revenue (%)	-	0.0006	-	-	-	-
Net profit (%)	-	0.17	-	-	-	-
Share of profits (losses) under the equity method (%)	4.77	-	1.63	4.77	0.17	1.63

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

3 Significant accounting policies

(a) Basis of 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.

Associates

Associates are those companies in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(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 recognized in the statement of income.

Non-monetary assets and liabilities measured at cost in foreign currencies are translated to Thai Baht using the foreign exchange rates ruling at the dates of the transactions. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated to Thai Baht at the foreign exchange rates ruling at the dates that fair value was determined.

(c) Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange arising from operational activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognized initially at cost. Subsequently, they are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the statement of income.

The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

(d) Cash and cash equivalents

Cash and cash equivalents are cash on hand and at banks 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.

(e) Trade and other accounts receivable

Trade and other accounts receivable (including balances with related parties) are stated at their invoice value add/less of credit note and debit note and less allowance for doubtful accounts.

The allowance for doubtful accounts is provided for estimated collection losses on receivables, based on past collection experience together with a review of the current financial position of each debtor. Bad debts are written off when incurred.

(f) Inventories

Inventories are stated at the lower of cost and net realizable value.

Cost is calculated using the by the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete and to make the sale.

(g) Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates in the separate financial statements of the Company are accounted for using the equity method.

Investments in other debt and equity securities

Debt securities that the Group intends and is able to hold to maturity are stated at amortized cost less impairment losses. The difference between the acquisition cost and redemption value of such debt securities is amortized using the effective interest rate method over the period to maturity.

Marketable equity securities are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly in equity. The exceptions are impairment losses, which are recognized in the statement of income.

Equity securities which are not marketable are stated at cost less impairment losses.

The fair value of financial instruments classified as available-for-sale is determined as the quoted bid price at the balance sheet date.

Disposal of investments

On disposal of an investment, the difference between net disposal proceeds and the carrying amount together with the associated cumulative gain or loss that was reported in equity is recognized in the statement of income.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

If the Group disposes of part of its holding of a particular investment, the deemed cost of the part sold is determined using the weighted average method applied to the carrying value of the total holding of the investment.

(h) Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and allowance for impairment losses except for buildings, machinery and equipment 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 any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of self-constructed assets consist of the cost of materials, direct labor, the initial assessment of the costs of dismantling (if relevant) and an appropriate proportion of production overheads.

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. A decrease in value is recognized in the statement of income to the extent it exceeds an increase previously recognized in the revaluation reserve. The revaluation surplus is utilised by reference to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost and credited to the statement of income. Upon disposal, any remaining related revaluation surplus is transferred from the revaluation reserve to the statement of income and is taken into account in calculating the gain or loss on disposal.

From July 2003 the revalued incremental cost on buildings, machinery and others is depreciated according to the remaining useful lives or estimated production units of the relevant assets based on the appraisal company, while before July 2003 depreciation was based on the original useful lives of the relevant assets from the commencement dates of such assets' utilisation (See Note 14).

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:

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

Leasehold improvements	Per lease period
Buildings and structures	20 - 40 years
Machinery and equipment of pipe (for LDPE)	Per estimated production units:
- For the first plastic plant	2,100,000 tons
- For the second plastic plant	2,400,000 tons
Machinery (for concrete)	10 years
Other machinery	15 - 40 years
Others	5 - 10 years

No depreciation is provided on land or assets under construction.

The gain or loss on disposal of property, plant and equipment are presented as other income or other expense in the statement of income at the disposal date.

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Cost of concessions on mining limestone and shale, include acquisition, exploration and development costs.

Amortization

Amortization is charged to the statement of income on a straight-line basis from the date that intangible assets are available for use over the estimated useful lives of the assets. The estimated useful lives are as follows:

- Concessions	Life of concessions : 13-25	Years
- Software licences	7-12	Years

(j) 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 recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized 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 recognized directly in equity and there is objective evidence that the value of the assets is impaired, the cumulative loss that had been recognized directly in equity is recognized in the statement of income even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized 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 recognized in the statement of income.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

Calculation of recoverable amount

The recoverable amount is the greater of the asset's 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. All reversals of impairment losses are recognized in the statement of income.

(k) Trade and other accounts payable

Trade and other accounts payable (including balances with related parties) are stated at cost.

(l) 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.

Staff retirement benefits

A provision for staff retirement benefits is based on the years of service and remuneration at retirement and is provided for employees aged 60 years old up. The plan is not funded but a reserve for the liability is recorded in the financial statements.

(m) Revenue

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

Sale of goods and services rendered

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

Interest and dividend income

Interest income is recognised in the statement of income as it accrues. Dividend income is recognized in the statement of income on the date the Group's right to receive payments is established which in the case of quoted securities is usually the ex-dividend date.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

(n) 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. Contingent rentals are charged to the statement of income in the accounting period in which they are incurred.

Finance costs

Interest expense 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 capitalized 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.

(o) Income Tax

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

4 Significant matters relating to the business operations of the Company and its subsidiaries

Debt restructuring

In 1999, the Company and a subsidiary agreed to participate in a restructuring program of the Bank of Thailand. On 20 July 2000, the Company and a number of its creditors (including its major creditor) signed the Process Agreement, which included a Business Rehabilitation Plan and Master Restructuring Agreement. Consequently, the Company and its subsidiary filed petitions for reorganization of their business with the Central Bankruptcy Court on 21 July 2000. On 9 February 2001, the Central Bankruptcy Court appointed the Company and its subsidiary as plan administrators for their own Business Reorganization Plan.

On 7 October 2004, the Company and its subsidiary, in their capacity as the Plan Administrators, filed petitions to the Official Receiver requesting for amendment to the Business Reorganization Plan and the Master Restructuring Agreement in respect of the extension of the debt restructuring period for 12 months from 31 December 2004 to 31 December 2005, with 2 twelve-month extendable periods to 31 December 2006 and 31 December 2007, respectively, an option to make payment for the outstanding accrued interest payable, credit insurance and guarantee fees calculated up to 30 November 1999 in cash to the Scheme Creditors instead of converting such debts into equity; and an option to negotiate and amicably settle its payment amount in respect of the disputed debts with disputing creditors under the Debt Repurchase Program.

On 28 October 2004, at the Scheme Creditors' meetings of the Company and subsidiary, the Scheme Creditors voted in favor of the amendment to the Business Reorganization Plan of the Company and subsidiary with votes representing 99.89% and 100% of the Scheme Creditors participating in the meetings of the Company and subsidiary respectively. This matter was approved by the Central Bankruptcy Court on 9 November 2004.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

On 28 October 2005, the Company and its subsidiary, in their capacity as Plan Administrators, filed a motion with the Official Receiver requesting for the arrangement of the Scheme Creditors' meeting to be held on 24 November 2005 to consider and approve the amendment to the Rehabilitation Plan in respect of the extension of the Plan implementation period for a further 1 year from 1 January 2006 to 31 December 2006. Thereafter, the Company and its subsidiary shall be entitled to request for one further twelve month extension of the repayment period in accordance with provisions of the Master Restructuring Agreement. The Scheme Creditors and the Central Bankruptcy Court already approved the amendment to such Business Reorganization Plan on 24 November 2005 and 29 November 2005, respectively.

Purchase and repayment of the debt repurchase program

The Company purchased debt from financial institution creditors for the consideration of USD 180 million through the voluntary debt-buy-back auction mechanism at a discount price to the face value. On 27 November 2000, the Company paid the 10% deposit of the settlement value, equivalent to USD 18 million, to the creditors.

On 24 February 2004, the Company applied the proceeds from the equity fund raising to repay the Company's and subsidiary's participating creditors under the Debt Repurchase Program (DRP) for the remaining 90% of the settlement amount under the DRP, at discount by way of depositing cashier cheques and/or drafts with the Central Bankruptcy Court in the amount of Baht 5,550 million. As at 31 December 2005, the remaining Baht 2,779 million (2004: Baht 2,865 million), which the DRP Participating Creditors have not collected is presented as "court deposits for debt repurchase" under current assets in the consolidated and the Company's financial statements.

The Company has received cancellation letters filed by 11 creditors to terminate the DRP Program amounting to Baht 2,709 million. However, the Company is of the opinion that such creditors cannot terminate the DRP Program. The 11 objecting creditors have filed objections against the Company's motion to pay the DRP debts with the Court.

On 30 September 2005, the Court issued an order dismissing the objections of the 11 objecting creditors against the Company's motion to pay the DRP debts. According to the Court's order, the 11 objecting creditors are not entitled to terminate the DRP contracts with the Company. Therefore, the debt settlement of the Company under the Court proceedings is legally binding.

On 25 October 2005, and 25 November 2005, the 11 objecting creditors jointly filed a petition with the Central Bankruptcy Court requesting for an extension of the appeal expiry date. The Central Bankruptcy Court thereafter gave permission for the appeal expiry date to be on 29 December 2005.

On 9 November 2005, 1 of the objecting creditors agreed to receive payment of the DRP debt by filing a petition with the Central Bankruptcy Court, and the Court has given permission. The Company therefore recognized gain on debt repurchase of Baht 76 million as an extraordinary item in the statements of income for the year ended 31 December 2005.

On 29 December 2005, the remaining 10 objecting creditors jointly filed a petition with the Supreme Court requesting for permission to file an appeal and jointly filed an appeal against the Central Bankruptcy Court's order. The Supreme Court is considering whether the objecting creditors are allowed to file the appeal with the Supreme Court.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

As at 31 December 2005, the Company has presented long-term debts under restructuring agreement of the above objecting creditors under consideration by the Court totaling Baht 4,288 million under current liabilities.

Payment of surplus DRP fund and accrued interest and fee payable

On 12 and 13 July 2004, the Company filed a motion to the Court for repayment of the Surplus of Debt Repurchase Program (the Surplus DRP Fund) and accrued interest payable, credits insurance and guarantee fees (accrued interest payable) calculated up to 30 November 1999. The Company deposited cashier cheques at the Central Bankruptcy Court for the relevant debts denominated in Baht currency totaling Baht 3,034 million and drafts for the debts denominated in foreign currency totaling the equivalent of Baht 3,773 million for repayment of the Surplus DRP fund for the total equivalent amount of Baht 1,656 million and payment of the accrued interest payable for the total equivalent amount of Baht 5,151 million to all Scheme Creditors under debt restructuring.

As at 31 December 2005, the creditors of the Company and subsidiary already received payments of the Surplus DRP and the accrued interest and fee payable in the total amount of Baht 1,656 million and Baht 5,151 million, respectively. Subsequently, the Company additionally paid the accrued interest of Baht 683 million, which is included in liabilities under debt restructuring.

Going concern

Certain of the Company's subsidiaries, associated and other related companies have also experienced liquidity problems. The Company and its subsidiaries have accounts receivable, short-term loans, other receivables and investments from/in such companies as at 31 December 2005 totaling Baht 15 million (2004: Baht 238 million) in the consolidated financial statements and totaling Baht 1,320 million (2004: Baht 1,427 million) in the Company's financial statements. Realization of these assets is dependent upon future operating performance by those companies sufficient to service the restructured debt and meet operating obligations.

In 2003, the Company and an associated company reappraised the value of buildings, machinery and equipment, which resulted in the carrying amounts of total assets and shareholders' equity as at 31 December 2005 increasing by Baht 27,385 million (2004: Baht 28,525 million) for the Company and Baht 470 million (2004: Baht 495 million) for the associated company in the consolidated and the Company's financial statements. Eventual realization of these assets and certain related assets at their appraisal value is dependent on the Company and the associated company continuing as a going concern.

The financial statements of the Company and its subsidiaries have been prepared on the basis of a going concern, which assumes that the Company and its subsidiaries will realize their assets and repay their liabilities in the ordinary course of business. Should the outcome of the uncertainties mentioned above not be favorable to the Company and its subsidiaries to continue as a going concern, it would likely be necessary to present the financial statements on a net realizable value basis, rather than on a going concern basis. The continuation of the Company and subsidiaries as a going concern and the realization of the carrying amount of their assets is therefore dependent upon the outcome of these uncertainties. The financial statements as presented do not include any adjustments which would be required if the Company and certain subsidiaries are unable to continue as a going concern.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

5 Related party transactions and balances

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

Transactions for each of the years ended 31 December 2005 and 2004 with related parties are summarized as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Subsidiaries				
Revenue from sale of goods	-	-	1,085,633	1,015,944
Delivery income	-	-	146,884	116,737
Other income	-	-	2,278	689
Selling and administrative expenses	-	-	780	271
Interest expense	-	-	123	50
Associates				
Other income	-	138	-	138
Purchase of raw materials	19,755	15,750	19,755	15,750
Other related parties				
Revenue from sale of goods	437,383	408,304	430,149	403,359
Other income	32,410	39,097	32,410	39,097
Purchases of land	45,200	-	-	-
Purchase of raw materials and spare parts	5,738,513	5,512,696	5,652,099	5,476,508
Insurance expense	111,413	110,966	101,539	102,137
Selling and administrative expenses	60,819	13,554	56,139	12,904

The Company and its subsidiaries sell products, including cement, concrete, rock, LDPE, EVA and steam to subsidiaries and other related parties at market price.

The Company and its subsidiaries purchase electricity, steam, oil and related products and raw materials to produce plastic, paper and plastic packaging materials from related companies. In addition, the Company and its subsidiaries use port facilities owned and operated by a related company at service fees deemed to be at market rates.

In regard to paper packaging materials, the Company installed paper bag machinery on location at United Grain Industry Co., Ltd. in order to hire United Grain Industry Co., Ltd. to produce cement bags using material wholly provided by the Company. The service charge is Baht 2.50-2.60 per bag, which includes all related costs such as labor, rent, electricity, etc.

Thai Petrochemical Industries Public Co., Ltd. charges the Company for services and facilities provided for plastic manufacturing at cost. The amount charged is based on the machine capacity and the actual labor used.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

Balances as at 31 December 2005 and 2004 with related parties are as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Trade accounts receivable				
(Form part of the trade accounts receivable in the balance sheets)				
Subsidiary				
TPI Concrete Co., Ltd.	-	-	26,568	39,451
Other related parties				
Thai Petrochemical Industry Public Co., Ltd.	26,048	27,860	24,282	27,378
United Grain Industry Co., Ltd.	-	148	-	148
Thai ABS Co., Ltd.	8	-	8	-
Thai Plastic Film Co., Ltd.	4,399	31,818	4,399	31,818
Thai Plastic Product Co., Ltd.	-	<u>7,476</u>	-	<u>7,476</u>
Total	<u>30,455</u>	<u>67,302</u>	<u>55,257</u>	<u>106,271</u>
Advances to related parties – current				
Subsidiaries				
TPI Concrete Co., Ltd.	-	-	18,765	39,154
Other related parties				
Thai Petrochemical Industry Public Co., Ltd.	1,555	1,448	1,555	1,448
TPI Oil Co., Ltd.	262	1,033	142	1,033
Plastic Transport Co., Ltd.	11,870	5,506	11,870	5,506
TPI Aromatics Public Co., Ltd.	224	225	224	225
United Grain Industry Co., Ltd.	71,226	-	71,226	-
Thai Plastic Product Co., Ltd.	8,430	-	8,430	-
TPI Commercial Co., Ltd.	<u>16</u>	<u>32</u>	<u>16</u>	<u>32</u>
Total	<u>93,583</u>	<u>8,244</u>	<u>112,228</u>	<u>47,398</u>
Receivable and advances to related parties – non-current				
Subsidiaries				
TPI Polene Power Co., Ltd.	-	-	333,248	333,248
Thai Proxoxide Co., Ltd.	-	-	<u>488,961</u>	<u>488,961</u>
Total	<u>-</u>	<u>-</u>	<u>822,209</u>	<u>822,209</u>
Other non-current asset – rental deposit				
Pornchai Enterprise Co., Ltd. (see details in note 33)	206,544	211,791	154,512	159,109

As at 31 December 2005, the Company has an advance to a subsidiary (TPI Polene Power Co., Ltd.) of Baht 333 million to finance the purchase of the Company's shares (see note 24).

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

The Company and its subsidiaries have investments in and amounts due, previously described, from related parties, and certain of these companies are experiencing liquidity problems, have net capital deficiencies, have not yet commenced operations or are restructuring their debt. As at 31 December 2005, there is uncertainty on the recoverability of these items, totaling Baht 15 million (2004: Baht 238 million) in the consolidated financial statements, and totaling Baht 1,320 million (2004: Baht 1,427 million) in the Company's financial statements, which is dependent on the future viability of these companies. The Company's management believes that these debts will be collectible.

In 1997, the Company entered into an agreement to sell land to Thai Propoxide Co., Ltd. (a subsidiary) at the price of Baht 477 million. Title has been transferred, but no cash has been received and the gain of Baht 40 million and interest income of Baht 155 million, totaling Baht 195 million has been deferred and is shown as other non-current liabilities in the consolidated and the Company's financial statements. Under the said agreement, the payment would be made by August 2000. The subsidiary used the land as security for borrowing from a bank and in turn loaned the amount to the Company. In 2000, the subsidiary transferred the loans burden from the said bank to the Company.

The Company and the subsidiary have agreed to change the terms of such land payment to within 180 days, starting from the date that the mortgage of the land is released by the bank. As at 31 December 2005, this amount is still unpaid.

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Trade accounts payable				
(Form part of the trade accounts payable in the balance sheets)				
Subsidiary				
TPI Concrete Co., Ltd.	-	-	6	11
Associate				
Thai Nitrate Co., Ltd.	4,023	3,683	4,023	3,683
Other related parties				
Thai Petrochemical Industry Public Co., Ltd.	554,198	550,406	554,198	550,406
TPI Oil Co., Ltd.	185	156	185	156
United Grain Industry Co., Ltd.	11,167	2,784	11,167	2,784
Thai ABS Co., Ltd.	60	13	60	13
Thai Plastic Film Co., Ltd.	126	-	126	-
Thai Plastic Product Co., Ltd.	<u>1,398</u>	<u>18,586</u>	<u>1,398</u>	<u>18,586</u>
Total	<u>571,157</u>	<u>575,628</u>	<u>571,163</u>	<u>575,639</u>
Short-term loans from related parties				
(interest rate/annum)				
Subsidiary				
TPI All Seasons Co., Ltd				
Short-term loans	-	-	1,250	1,250
Accrued interest payable (4 %)	<u>-</u>	<u>-</u>	<u>325</u>	<u>275</u>
Total	<u>-</u>	<u>-</u>	<u>1,575</u>	<u>1,525</u>

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Advances from related parties				
Subsidiary				
TPI Concrete Co., Ltd.	-	-	60	969
Other related parties				
Thai Petrochemical Industry Public Co., Ltd.	6,671	5,451	62	129
TPI Oil Co., Ltd.	435	286	97	182
Pornchai Enterprise Co., Ltd.	1,293	824	975	486
Bangkok Union Insurance Public Co., Ltd.	3,656	1,758	3,631	-
Plastic Transport Co., Ltd.	3,648	4,599	3,648	4,588
TPI Holding Co., Ltd.	402	377	402	377
Leophairatana Enterprise Co., Ltd.	569	-	569	-
Thai Plastic Product Co., Ltd.	43	-	-	-
Total	<u>16,717</u>	<u>13,295</u>	<u>9,444</u>	<u>6,731</u>

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

	2005	2004
		<i>(in thousand Baht)</i>
Subsidiary		
At 1 January	1,250	1,250
Increase	62,000	-
Decrease	(62,000)	-
At 31 December	<u>1,250</u>	<u>1,250</u>

6 Cash and cash equivalents

6.1 Cash and cash equivalents as at 31 December 2005 and 2004 consist of the following:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Cash on hand and at banks	262,970	167,996	169,929	113,411
Fixed deposits	<u>190</u>	<u>182</u>	<u>177</u>	<u>175</u>
Total	<u>263,160</u>	<u>168,178</u>	<u>170,106</u>	<u>113,586</u>

6.2 Non-cash items are as follows:

For each of the years ended 31 December 2005 and 2004, the revaluation deficit to fair value of available-for-sale securities shown as a deduction from shareholders' equity increased by Baht 401 million (2004: Baht 516 million) as presented in the consolidated and the Company's financial statements.

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

For each of the years ended 31 December 2005 and 2004, as a result of reappraisal of assets' values, the Company had depreciation on the assets revaluation. As a result, total assets and shareholders' equity decreased by Baht 1,164 million (2004: Baht 1,181 million) in the consolidated and the Company's financial statements.

7 Other investments

Other investments as at 31 December 2005 and 2004 consist of the following:

	Note	Consolidated			
		2005		2004	
		Cost value/ Amortized cost value	Fair value	Cost value/ Amortized cost value	Fair value
<i>(in thousand Baht)</i>					
Current					
Debt securities held-to-maturity		-	-	199,935	199,935
Equity securities available-for-sale	12	530,393	484,934	-	-
Less allowance for revaluation of securities		<u>(45,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>484,934</u>	<u>484,934</u>	<u>199,935</u>	<u>199,935</u>
Non-current					
Debt securities held-to-maturity		93,420	93,420	92,433	92,433
General equity securities		<u>1,596</u>	<u>1,596</u>	<u>1,596</u>	<u>1,596</u>
		<u>95,016</u>	<u>95,016</u>	<u>94,029</u>	<u>94,029</u>
Total		<u>579,950</u>	<u>579,950</u>	<u>293,964</u>	<u>293,964</u>

	Note	The Company			
		2005		2004	
		Cost value/ Amortized cost value	Fair value	Cost value/ Amortized cost value	Fair value
<i>(in thousand Baht)</i>					
Current					
Debt securities held-to-maturity		-	-	99,966	99,966
Equity securities available-for-sale	12	530,393	484,934	-	-
Less allowance for revaluation of securities		<u>(45,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>484,934</u>	<u>484,934</u>	<u>99,966</u>	<u>99,966</u>
Non-current					
Debt securities held-to-maturity		91,720	91,720	92,033	92,033
General equity securities		<u>1,596</u>	<u>1,596</u>	<u>1,596</u>	<u>1,596</u>
		<u>93,316</u>	<u>93,316</u>	<u>93,629</u>	<u>93,629</u>
Total		<u>578,250</u>	<u>578,250</u>	<u>193,595</u>	<u>193,595</u>

TPI Polene Public Company Limited and Subsidiaries

Notes to financial statements

For each of the years ended 31 December 2005 and 2004

8 Trade accounts receivable

Trade accounts receivable as at 31 December 2005 and 2004 are summarized as following:

		Consolidated		The Company	
	Note	2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Trade accounts receivable from related parties	5	30,455	67,302	55,257	106,271
Trade accounts receivable from other parties		2,183,052	1,960,976	1,556,206	1,347,696
Less allowance for doubtful accounts		<u>(276,466)</u>	<u>(272,906)</u>	<u>(227,294)</u>	<u>(220,377)</u>
Total		<u>1,937,041</u>	<u>1,755,372</u>	<u>1,384,169</u>	<u>1,233,590</u>

Trade accounts receivable, including trade accounts receivable from related parties, aged by number of months are as follows:

		Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Within credit terms		1,798,895	1,677,875	1,302,319	1,171,128
Over due:					
Less than 3 months		116,212	61,126	69,516	52,266
3-6 months		21,675	3,260	13,943	3,259
6-12 months		2,029	782	2,029	782
Over 12 months		<u>274,696</u>	<u>285,235</u>	<u>223,656</u>	<u>226,532</u>
		2,213,507	2,028,278	1,611,463	1,453,967
Less allowance for doubtful accounts		<u>(276,466)</u>	<u>(272,906)</u>	<u>(227,294)</u>	<u>(220,377)</u>
Net		<u>1,937,041</u>	<u>1,755,372</u>	<u>1,384,169</u>	<u>1,233,590</u>

The Company and its subsidiaries require many customers to provide cash, bank and personal guarantees as collateral.

The normal credit term granted by the Group is 30-90 days.

9 Inventories

Inventories as at 31 December 2005 and 2004 consist of the following:

		Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Finished goods		1,006,401	934,758	1,006,401	934,758
Work in process		304,306	356,163	304,306	356,163
Raw materials and chemicals		685,315	567,852	666,027	554,847
Packages		247,572	89,505	247,572	89,505
Oil and coal		447,304	360,563	440,302	356,378
Spare parts and general supplies		2,095,643	2,144,279	2,029,085	2,084,534
Raw materials in transit		86,165	66,306	86,165	66,306
Supplies in transit		<u>75,711</u>	<u>98,112</u>	<u>75,711</u>	<u>98,112</u>
Total		<u>4,948,417</u>	<u>4,617,538</u>	<u>4,855,569</u>	<u>4,540,603</u>

TPI Polene Public Company Limited and Subsidiaries
Notes to financial statements
For each of the years ended 31 December 2005 and 2004

10 Other current assets

Other current assets as at 31 December 2005 and 2004 consist of the following:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Prepaid expenses	145,179	142,354	140,843	137,200
Advances	46,191	22,143	45,797	21,680
Prepaid income tax	42,670	40,151	40,225	37,654
Other receivables - net	155,050	192,505	153,376	189,831
Others	39,418	50,735	38,903	49,840
Total	<u>428,508</u>	<u>447,888</u>	<u>419,144</u>	<u>436,205</u>

11 Investments accounted for using the equity method

	<i>Note</i>	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Net book value at 1 January		1,341,607	1,297,426	1,302,467	831,082
Share of net profits (losses) of investment-equity method		(72,639)	66,790	75,781	365,317
Dividend income		(12,000)	-	(12,000)	-
Surplus on assets revaluation		(24,906)	(24,906)	(24,906)	(24,906)
Revaluation surplus (deficit) on available-for-sale securities		(9,553)	2,297	(9,553)	2,297
Company's shares held by a subsidiary	24	-	-	16,348	(28,383)
Surplus on disposal of the Company's shares held by a subsidiary		-	-	(2,317)	-
Gain on debts repurchase		-	-	-	157,060
Net book value at 31 December		<u>1,222,509</u>	<u>1,341,607</u>	<u>1,345,820</u>	<u>1,302,467</u>

Disclosed as:

	<i>Note</i>	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Investments accounted for using the equity method		1,222,509	1,341,607	1,659,861	1,629,882
Excess of share of losses over cost of investments (presented under other-non current liabilities)	20	-	-	(1,881)	(1,834)
The Company's shares held by a subsidiaries over cost of investments (presented under other-non current liabilities)	20	-	-	(312,160)	(325,581)
Total		<u>1,222,509</u>	<u>1,341,607</u>	<u>1,345,820</u>	<u>1,302,467</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Investments accounted for using the equity method in the consolidated financial statements of the Company and its subsidiaries and the Company's financial statements as at 31 December 2005 and 2004 consisted of:

Subsidiaries

	Type of Business	Relationship	Paid-up Capital <i>(in thousand Baht)</i>	Ownership interest		Consolidated		The Company			
				2005	2004	Equity method		Cost method		Equity method	
						2005	2004	2005	2004	2005	2004
			<i>(in thousand Baht)</i>		<i>(%)</i>					<i>(in thousand Baht)</i>	
TPI Concrete Co., Ltd.	Manufacturing and distributing ready mixed concrete	Shareholder	840,000	99.99	99.99	-	-	839,999	839,999	435,832	286,727
TPI Polene Power Co., Ltd. (see note 24 to the financial statements)	Manufacturing and distributing electricity and steam (not yet operating)	Shareholder	47,000	99.99	99.99	-	-	47,000	47,000	-	-
Thai Propoxide Co., Ltd.	Manufacturing and distributing electricity (not yet operating)	Shareholder	250	99.99	99.99	-	-	250	250	-	-
TPI All Seasons Co., Ltd.	Transporting ready mixed concrete (not yet operating)	Shareholder	1,250	99.99	99.99	-	-	<u>1,250</u>	<u>1,250</u>	<u>1,520</u>	<u>1,548</u>
Total								<u>888,499</u>	<u>888,499</u>	<u>437,352</u>	<u>288,275</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Associates

	Type of Business	Relationship	Paid-up Capital <i>(in thousand Baht)</i>	Ownership interest		Consolidated		The Company			
				2005	2004	Equity method		Cost method		Equity method	
						2005	2004	2005	2004	2005	2004
				<i>(%)</i>				<i>(in thousand Baht)</i>			
Thai Special Steel Industry Public Co., Ltd.	Manufacturing and distributing steel product	Shareholder	4,220,000	29.77	29.77	14,532	207,312	1,256,200	1,256,200	14,532	207,312
Thai Nitrate Co., Ltd.	Manufacturing and distributing nitric acids and ammonium nitrate	Shareholder	468,750	40.00	40.00	1,067,665	983,752	187,499	187,499	1,067,665	983,752
BUI Life Insurance Co., Ltd. (formerly: name: TPI Life Insurance Co., Ltd.)	Life insurance	Shareholder	500,000	25.00	25.00	130,567	140,798	125,000	125,000	130,567	140,798
Mondo Thai Co., Ltd.	Developing land and residences	Shareholder	36,000	28.75	28.75	<u>9,745</u>	<u>9,745</u>	<u>10,350</u>	<u>10,350</u>	<u>9,745</u>	<u>9,745</u>
Total						<u>1,222,509</u>	<u>1,341,607</u>	<u>1,579,049</u>	<u>1,579,049</u>	<u>1,222,509</u>	<u>1,341,607</u>
Total investments accounted for using the equity method						<u>1,222,509</u>	<u>1,341,607</u>	<u>2,467,548</u>	<u>2,467,548</u>	<u>1,659,861</u>	<u>1,629,882</u>

In 2005, the Company received dividend income from Thai Nitrate Co., Ltd. of Baht 12 million.

As at 31 December 2004 the Company has investments in four subsidiaries which were accounted for using the equity method based on the financial statements which were audited by another auditor. The Company's financial statements for the year ended 31 December 2004, included the share of profits of these companies, which amounted to 0.17% of the net profit for the year. In addition, as at 31 December 2005 and 2004, the Company has investments in four associated companies which were accounted for using the equity method based on the unaudited financial statements of associated companies. The consolidated financial statements and the Company's financial statements for each of the years ended 31 December 2005, included the share of profits (losses) of these companies, which amounted to 4.77% of the net profit (2004: 1.63% of the net profit) (see Note 2).

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

As at 31 December 2005 and 2004, the Company has investments in the subsidiary companies which had deficit in shareholders' equity. This deficit is presented under other non-current liabilities in the Company's financial statements, as follows:

	Ownership interest		Paid-up capital		The Company Cost method		Equity method	
	2005	2004	2005	2004	2005	2004	2005	2004
	(%)						(in thousand Baht)	
<i>Subsidiaries</i>								
TPI Polene Power Co., Ltd	99.99	99.99	47,000	47,000	47,000	47,000	(312,160)	(325,581)
Thai Propoxide Co., Ltd.	99.99	99.99	250	250	<u>250</u>	<u>250</u>	<u>(1,881)</u>	<u>(1,834)</u>
Total					<u>47,250</u>	<u>47,250</u>	<u>(314,041)</u>	<u>(327,415)</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each the years ended 31 December 2005 and 2004

12 Long-term investments in related parties

Long-term investments in related parties as at 31 December 2005 and 2004 are as follows:

	Type of Business	Relationship	Paid – up Capital <i>(in thousand Baht)</i>	Ownership interest		Consolidated and The Company	
				2005	2004	2005	2004
				<i>(%)</i>		<i>(in thousand Baht)</i>	
Listed securities - available-for-sale							
Thai Petrochemical Industry Public Co., Ltd. (TPI)	Manufacturing and distributing plastics and petrochemical products	Shareholder	19,500,000	0.42	1.03	717,136	1,867,685
<i>Less</i> Allowance for impairment of securities						-	(758,708)
Allowance for revaluation of securities						<u>(61,464)</u>	<u>(518,062)</u>
						<u>655,672</u>	<u>590,915</u>
Other securities - general							
United Grain Industry Co., Ltd.	Manufacturing and distributing packages	Shareholder	550,000	19.00	19.00	104,500	104,500
Pornchai Enterprise Co., Ltd.	Real estate	Shareholder	180,000	16.67	16.67	45,653	45,653
TPI Holding Co., Ltd.	Holding Company	Shareholder	5,000	0.87	0.87	<u>217</u>	<u>217</u>
						<u>150,370</u>	<u>150,370</u>
Total Long-term investments in related parties						<u>806,042</u>	<u>741,285</u>

Movement during the year on investments in TPI are summarized as follows:

	At 1 January	2005		At 31 December
		Addition	Disposal	
Acquisition cost	1,867,685	534,250	(1,154,406)	1,247,529
Allowance for impairment	(758,708)	-	758,708	-
Allowance for revaluation	<u>(518,062)</u>	<u>-</u>	<u>411,139</u>	<u>(106,923)</u>
Net book value	<u>590,915</u>	<u>534,250</u>	<u>15,441</u>	<u>1,140,606</u>

Disclosed as :

	Note	Cost	At 31 December 2005	
			Allowance for revaluation	Net book value
Current investments	7	530,393	(45,459)	484,934
Long-term investments	12	<u>717,136</u>	<u>(61,464)</u>	<u>655,672</u>
Total		<u>1,247,529</u>	<u>(106,923)</u>	<u>1,140,606</u>

Investment of 63,321,370 shares in Thai Petrochemical Industry Public Co., Ltd, is pledged to a bank as collateral for loans.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each the years ended 31 December 2005 and 2004

In November 2005, the Company exercised the right to purchase share capital of TPI in the proportion of 1 existing share to 2 new shares of TPI totaling 161.89 million shares, at Baht 3.30 each, totaling Baht 534 million.

During the year 2005, the Company sold 102.03 million TPI shares on the Stock Exchange of Thailand for total sale price of Baht 720 million with the original cost of Baht 1,154 million. Loss on disposal of investments of Baht 434 million was presented net of gain on investments in the consolidated and the Company statement of income for the year ended 31 December 2005.

In addition, in 2005, the Company reversed Baht 759 million allowance previously made for loss on impairment in value of investment in TPI, due to the significant increase in market price and the successful raising of share capital. The Company recognized the gain of Baht 759 million on reversal of the allowance for impairment in value of investments as gain on investments for the year ended 31 December 2005 in the consolidated and the Company's statements of income.

Gain on investments, as presented in the statement of income for the year 31 December 2005, consists of:

	Consolidated and the Company 2005
	(in thousand Baht)
Gain on reversal of allowance for impairments of investment	758,707
Loss on disposal of investments	<u>(433,887)</u>
Gain on investments - net	<u>324,820</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

13 Property, plant and equipment, net

Changes in property, plant and equipment for the year ended 31 December 2005, are summarized as follows:

Consolidated

	Cost Changes				Accumulated Depreciation Changes					Allowance for Impairment		Book Value		
	Beginning Balance	Additions	Disposal/ Write off	Transfer in (out)	Ending Balance	Beginning Balance	Depreciation	Disposal/ Write off	Transfer (in) out	Ending Balance	Beginning Balance	Ending Balance	Beginning Balance	Ending Balance
	<i>(in thousand Baht)</i>													
Land	2,665,522	126,304	-	-	2,791,826	-	-	-	-	-	-	-	2,665,522	2,791,826
Leasehold improvements	46,176	-	-	-	46,176	(32,910)	(6,692)	-	-	(32,602)	-	-	13,266	6,574
Buildings and structures														
- Cost	7,361,515	15,833	-	164,992	7,542,340	(2,353,062)	(198,296)	-	-	(2,551,358)	-	-	5,008,453	4,990,982
- Increment appraisal	7,415,932	-	-	-	7,415,932	(1,974,163)	(191,455)	-	-	(2,165,618)	-	-	5,441,769	5,250,314
Machinery and pipes														
- Cost	26,306,581	3,420	-	521,424	26,831,425	(9,571,493)	(728,991)	-	-	(10,300,484)	(39,025)	(22,099)	16,696,063	16,508,842
- Increment appraisal	33,034,391	-	-	-	33,034,391	(10,035,270)	(933,728)	-	-	(10,968,998)	-	-	22,999,121	22,065,393
Tools and factory equipment	4,128,836	18,297	(32,173)	22,892	4,137,852	(3,390,506)	(145,895)	23,370	-	(3,513,031)	-	-	738,330	624,821
Furniture, fixtures and														
office equipment	307,422	13,769	(10,248)	117	311,060	(251,413)	(20,836)	9,831	-	(262,418)	-	-	56,009	48,642
Vehicles	1,035,245	6,450	(14,795)	-	1,026,900	(814,115)	(86,885)	14,233	-	(886,767)	-	-	221,130	140,133
Increment appraisal – Other	315,732	-	6,618	-	322,350	(231,983)	(20,582)	-	-	(252,565)	-	-	83,749	69,785
Construction in progress	2,546,247	578,126	-	(458,058)	2,666,315	-	-	-	-	-	-	-	2,546,247	2,666,315
Machinery under installation	1,202,607	433	(16,260)	(283,722)	903,058	-	-	-	-	-	(74,780)	(67,673)	1,127,827	835,385
Total	86,366,206	762,632	(66,858)	(32,355)	87,029,625	(28,654,915)	(2,333,360)	47,434	-	(30,940,841)	(113,805)	(89,772)	57,597,486	55,999,012

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

	Cost Changes				The Company					Book Value		
	Beginning	Disposal/		Transfer	Ending	Beginning	Disposal/		Transfer	Ending	Beginning	Ending
	Balance	Additions	Write off	in (out)	Balance	Balance	Depreciation	Write off	(in) out	Balance	Balance	Balance
	<i>(in thousand Baht)</i>											
Land	2,281,483	-	-	-	2,281,483	-	-	-	-	-	2,281,483	2,281,483
Leasehold improvements	46,176	-	-	-	46,176	(32,910)	(6,692)	-	-	(39,602)	13,266	6,574
Buildings and structures												
- Cost	7,227,501	-	-	125,665	7,353,166	(2,254,650)	(183,692)	-	-	(2,438,342)	4,972,851	4,914,824
- Increment appraisal	7,415,932	-	-	-	7,415,932	(1,974,163)	(191,455)	-	-	(2,165,618)	5,441,769	5,250,314
Machinery and pipes												
- Cost	24,572,018	-	-	501,905	25,073,923	(8,274,563)	(622,145)	-	-	(8,896,708)	16,297,455	16,177,215
- Increment appraisal	33,034,391	-	-	-	33,034,391	(10,035,270)	(933,728)	-	-	(10,968,998)	22,999,121	22,065,393
Tools and factory equipment	4,039,882	16,836	(32,150)	22,868	4,047,436	(3,311,186)	(142,156)	23,346	-	(3,429,996)	728,696	617,440
Furniture, fixtures and office equipment	240,537	12,608	(10,242)	-	242,903	(194,774)	(16,919)	9,829	-	(201,864)	45,763	41,039
Vehicles	1,022,197	6,450	(14,795)	-	1,013,852	(803,995)	(86,024)	14,234	-	(875,785)	218,202	138,067
Increment appraisal – Other	315,732	-	6,618	-	322,350	(231,983)	(20,582)	-	-	(252,565)	83,749	69,785
Construction in progress	2,539,336	525,054	-	(410,610)	2,653,780	-	-	-	-	-	2,539,336	2,653,780
Machinery under installation	<u>1,053,027</u>	<u>433</u>	<u>(16,260)</u>	<u>(269,506)</u>	<u>767,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,053,027</u>	<u>767,694</u>
Total	<u>83,788,212</u>	<u>561,381</u>	<u>(66,829)</u>	<u>(29,678)</u>	<u>84,253,086</u>	<u>(27,113,494)</u>	<u>(2,203,393)</u>	<u>47,409</u>	<u>-</u>	<u>(29,269,478)</u>	<u>56,674,718</u>	<u>54,983,608</u>

Depreciation charges of the Company and subsidiaries for the year ended 31 December 2005 of Baht 1,188 million (2004 : Baht 1,194 million) in the consolidated financial statements and of Baht 1,058 million (2004 : Baht 1,066 million) in the Company's financial statements, are presented as cost of manufactured goods and selling and administrative expenses. Depreciation of asset revaluation for 2005 of Baht 1,145 million (2004 : Baht 1,157 million) are shown net of surplus on fixed assets revaluation in shareholders' equity.

As at 31 December 2005, the Company and subsidiaries had buildings and equipment with a total cost of Baht 3,018 million (2004 : Baht 2,345 million) in the consolidated financial statements and of Baht 2,337 million (2004 : Baht 1,786 million) in the Company's financial statements which have been fully depreciated but which are still in use.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

In 2002, a subsidiary recorded an allowance for impairment of mixer trucks and machinery under installation of Baht 75 million and Baht 70 million, respectively totaling Baht 145 million, which was presented as a loss on impairment of assets.

Subsequently, in 2005, the subsidiary reversed the allowance for loss on impairment of mixer trucks and machinery of Baht 16.9 million and Baht 7.1 million respectively, totaling Baht 24 million (2004: Baht 22 million).

Most of the land, buildings, machinery and equipment are mortgaged or pledged as collateral for the long-term loans. The book value of such assets used as collateral as at 31 December 2005 is approximately Baht 43,740 million in the consolidated financial statements and Baht 43,284 million in the Company's financial statements (see note 19.1).

14 Surplus on fixed assets revaluation

Surplus on asset revaluation as at 31 December 2005 and 2004 consists of the following:

	Consolidated and The Company		
	Beginning Balance	Change during the Year Decrease	Ending Balance
	<i>(in thousand Baht)</i>		
Company			
Building	7,415,932	-	7,415,932
Machinery	33,034,391	-	33,034,391
Other	<u>315,732</u>	<u>6,618</u>	<u>322,350</u>
	40,766,055	6,618	40,772,673
<i>Less</i> Accumulated depreciation			
Building	(1,974,163)	(191,455)	(2,165,618)
Machinery	(10,035,270)	(933,728)	(10,968,998)
Other	<u>(231,983)</u>	<u>(20,582)</u>	<u>(252,565)</u>
	<u>(12,241,416)</u>	<u>(1,145,765)</u>	<u>(13,387,181)</u>
Net	<u>28,524,639</u>	<u>(1,139,147)</u>	<u>27,385,492</u>
Associated companies			
Machinery	729,226	-	729,226
<i>Less</i> Accumulated depreciation	<u>(234,073)</u>	<u>(24,906)</u>	<u>(258,979)</u>
Net	<u>495,153</u>	<u>(24,906)</u>	<u>470,247</u>
Total	<u>29,019,792</u>	<u>(1,164,053)</u>	<u>27,855,739</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

In June 2003, Company hired a foreign independent appraiser, TREBONA AG, to appraise the value of certain items of its manufacturing plant, machinery and factory equipment of cement and dry mortar including 10 distribution terminals. The value of these assets, the original cost of which was Baht 28,746 million (book value of Baht 19,589 million), was appraised at USD 1,429 million, equivalent to Baht 60,194 million (reappraisal book value of Baht 44,143 million), calculated using the selling rate of Baht 42.1177 to USD 1 at the appraisal date. The appraised value is based on the replacement value net of depreciation which is the current acquisition cost of assets with the same layout, capacity and technological standard as the assets valued, including capitalized interest costs. As a result of this reappraisal, the carrying amounts of total assets and shareholders' equity at that date increased by Baht 24,554 million in the consolidated and the Company's financial statements (compared with the original cost). As at 31 December 2005, the remaining portion of surplus on assets revaluation amounted to Baht 22,547 million in the consolidated and the Company's financial statements (2004: Baht 23,346 million).

However buildings, machinery and other related equipment with book value of Baht 1,662 million have not been revalued by independent appraisers as the nature and use in the Company's operations is different from the revalued assets.

In addition, the Company hired a foreign independent appraiser, JOHN FOORD (ASIA) PTE LIMITED, to appraise the value of its LDPE and EVA plastic manufacturing plant and machinery. The value of these assets, the original cost of which was Baht 3,594 million (book value of Baht 2,006 million), was appraised at USD 355 million, equivalent to Baht 14,952 million (reappraisal book value of Baht 7,707 million), calculated using the selling rate of Baht 42.1177 to USD 1 at the appraisal date. The appraised value is based on the replacement value net of depreciation which is the current acquisition cost of assets with the same layout, capacity and technological standard as the assets valued, including capitalized interest costs. As a result of this reappraisal, the carrying amounts of total assets and shareholders' equity at that date increased by Baht 5,701 million in the consolidated and the Company's financial statements. As at 31 December 2005, the remaining portion of surplus on assets revaluation amounted to Baht 4,838 million in the consolidated and the Company's financial statements (2004: Baht 5,179 million).

In December 1997, Thai Nitrate Co., Ltd. (associated company) hired independent appraisers to appraise the value of its machinery. The value of these assets, the original cost of which was Baht 817 million (book value of Baht 780 million), was appraised to be USD 55 million or equivalent to Baht 2,666 million. The appraised value is based on the replacement value, which is the current acquisition cost of assets with the same layout, capacity and technological standard as the assets to be valued.

From July 2003, depreciation of the Company's appraisal assets is calculated based on the remaining useful lives or estimated production of the relevant assets appraised by independent appraisal instead of calculation based on the previous useful lives or estimated production of the relevant assets. For the year ended 31 December 2005 as a result, depreciation is presented as cost of manufactured goods, and selling and administrative expense under the statements of income is reduced by Baht 427 million (2004: Baht 475 million) and depreciation of surplus of revaluation presented under shareholders' equity is reduced by Baht 336 million (2004: Baht 347 million).

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

15 Intangible assets

Intangible assets as at 31 December 2005 consist of the following

	Consolidated and the Company			
	Cost of raw material resources	Cost of concessions	Software licenses	Total
	<i>(in thousand Baht)</i>			
<i>Cost</i>				
At 1 January 2004	598,666	75,108	19,373	693,147
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2004	598,666	75,108	19,373	693,147
Additions	<u>-</u>	<u>-</u>	<u>915</u>	<u>915</u>
At 31 December 2005	<u>598,666</u>	<u>75,108</u>	<u>20,288</u>	<u>694,062</u>
Accumulated amortisation				
At 1 January 2004	(177,234)	(16,438)	(7,326)	(200,998)
Amortisation charge for the year	<u>(22,499)</u>	<u>(2,121)</u>	<u>(2,301)</u>	<u>(26,921)</u>
At 31 December 2004	(199,733)	(18,559)	(9,627)	(227,919)
Amortisation charge for the year	<u>(22,499)</u>	<u>(2,121)</u>	<u>(2,301)</u>	<u>(26,921)</u>
At 31 December 2005	<u>(222,232)</u>	<u>(20,680)</u>	<u>(11,928)</u>	<u>(254,840)</u>
Net book value				
At 31 December 2004	<u>398,933</u>	<u>56,549</u>	<u>9,746</u>	<u>465,228</u>
At 31 December 2005	<u>376,434</u>	<u>54,428</u>	<u>8,360</u>	<u>439,222</u>

At present, the Company has 28 concession certificates for mining of limestone and shale, approved by Department of Primary Industries and Mines, Ministry of Industry, with lives of 13-25 years, expiring from November 2008 to September 2023 of which 25 concession certificates are owned by Thai Petrochemical Industries Public Company Limited (the other related company). The Company is required to make payment of a variable statutory royalty, at the rate of Baht 5.95 per tonne of limestone mined and Baht 6.30 per tonne of shale mined. Management believes that these concession certificates will enable the Company to reserve the main raw materials of limestone and shale to the Company. The Company notified other related company to transfer the said concessions certificates to the Company which is an obligation under the Master Agreement between the Company and the other related company. However, currently, the other related company has not yet transferred the said concessions certificates to the Company but has consent the Company to obtain the sub-mining licenses to operate the mining on the other related company's concession areas.

In addition, the Company is in the process of applying for 30 more concessions.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

16 Other non-current assets

Other non-current assets as at 31 December 2005 and 2004 consist of the following:

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Prepaid rental	33.	206,544	211,791	154,512	159,109
	<i>1</i>				
Advance payments for machinery	32	324,699	354,746	324,699	354,746
Land under development		235,406	235,406	235,406	235,406
Deposits		10,764	9,432	10,764	9,432
Other receivables		41,395	51,584	41,395	51,584
Others		<u>15,955</u>	<u>19,879</u>	<u>12,670</u>	<u>16,863</u>
Total		<u>834,763</u>	<u>882,838</u>	<u>779,446</u>	<u>827,140</u>

17 Trade accounts payable

Trade accounts payable as at 31 December 2005 and 2004 consist of the following:

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Trade accounts payable to related parties	5	571,157	575,628	571,163	575,639
Trade accounts payable to other parties		<u>876,438</u>	<u>843,465</u>	<u>720,570</u>	<u>691,010</u>
Total		<u>1,447,595</u>	<u>1,419,093</u>	<u>1,291,733</u>	<u>1,266,649</u>

18 Other current liabilities

Other current liabilities as at 31 December 2005 and 2004 consist of the following:

		Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Other payables		164,991	194,230	134,309	174,579
Accrued expenses		437,346	505,748	385,806	447,283
Deposit from sales		294,155	108,833	294,155	108,833
Accrued value added tax		44,263	28,523	39,894	23,831
Accrued withholding tax		26,638	22,210	25,006	20,929
Guarantee and deposits		144,489	132,394	113,838	105,856
Others		<u>22,552</u>	<u>79,743</u>	<u>22,283</u>	<u>76,057</u>
Total		<u>1,134,434</u>	<u>1,071,681</u>	<u>1,015,291</u>	<u>957,368</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

19 Interest –bearing liabilities

19.1 Interest-bearing liabilities as at 31 December 2005 and 2004 are summarized as follow:

		Consolidated		The Company	
	<i>Note</i>	2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Current					
Bank overdrafts					
- Secured		-	-	-	-
- Unsecured		<u>148,799</u>	<u>3,002</u>	<u>145,545</u>	<u>2,653</u>
		148,799	3,002	145,545	2,653
Short term loans from financial institutions					
- Secured		-	-	-	-
- Unsecured		<u>392,233</u>	<u>-</u>	<u>392,233</u>	<u>-</u>
		<u>392,233</u>	<u>-</u>	<u>392,233</u>	<u>-</u>
Total bank overdrafts and short term loans from financial institutions					
		<u>541,032</u>	<u>3,002</u>	<u>537,778</u>	<u>2,653</u>
Current portion of long-term liabilities under debt restructuring					
- Secured		1,887,373	1,366,757	1,841,848	1,334,041
- Unsecured		<u>1,066,331</u>	<u>751,456</u>	<u>1,028,016</u>	<u>724,808</u>
		<u>2,953,704</u>	<u>2,118,213</u>	<u>2,869,864</u>	<u>2,058,849</u>
Long-term liabilities under debt restructuring under the consideration by the Court					
- Secured		-	-	-	-
- Unsecured		<u>4,288,055</u>	<u>-</u>	<u>4,288,055</u>	<u>-</u>
		<u>4,288,055</u>	<u>-</u>	<u>4,288,055</u>	<u>-</u>
Long-term liabilities under debt restructuring					
- Secured		-	15,963,932	-	15,581,802
- Unsecured		<u>-</u>	<u>13,042,833</u>	<u>-</u>	<u>12,731,582</u>
		<u>-</u>	<u>29,006,765</u>	<u>-</u>	<u>28,313,384</u>
Short-term loans from related parties					
- Secured	5	-	-	-	-
- Unsecured		<u>-</u>	<u>-</u>	<u>1,250</u>	<u>1,250</u>
		<u>-</u>	<u>-</u>	<u>1,250</u>	<u>1,250</u>
		<u>7,782,791</u>	<u>31,127,980</u>	<u>7,696,947</u>	<u>30,376,136</u>
Non current					
Long-term liabilities under debt restructuring					
- Secured		13,955,065	-	13,618,460	-
- Unsecured		<u>7,884,357</u>	<u>-</u>	<u>7,601,056</u>	<u>-</u>
		<u>21,839,422</u>	<u>-</u>	<u>21,219,516</u>	<u>-</u>
Total		<u>29,622,213</u>	<u>31,127,980</u>	<u>28,916,463</u>	<u>30,376,136</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Bank overdrafts are charged interest rates at MOR - MOR + 2% per annum.

Short-term loans from institutions are charged interest rate at 6 months LIBOR+2.0% - 3.0% per annum for loans denominated in foreign currency and at MLR per annum for Baht loans.

The period to maturity of interest-bearing liabilities is as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Within one year	7,782,791	2,121,215	7,696,947	2,062,752
After one year but within five years	<u>21,839,422</u>	<u>29,006,765</u>	<u>21,219,516</u>	<u>28,313,384</u>
Total	<u>29,622,213</u>	<u>31,127,980</u>	<u>28,916,463</u>	<u>30,376,136</u>

Secured interest-bearing liabilities are secured on the following assets:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Land and buildings	10,068,431	10,373,573	9,774,925	10,080,067
Machinery and equipment	33,671,353	35,202,687	33,509,024	34,998,531
Equity securities	<u>421,692</u>	<u>380,044</u>	<u>421,692</u>	<u>380,044</u>
Total	<u>44,161,476</u>	<u>45,956,304</u>	<u>43,705,641</u>	<u>45,458,642</u>

The currency denomination of interest-bearing liabilities is as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Thai Baht	8,943,293	9,624,819	8,453,956	9,096,664
US Dollar	14,995,409	14,860,702	14,778,996	14,637,013
EURO	4,953,194	5,823,592	4,953,194	5,823,592
Japanese Yen	<u>730,317</u>	<u>818,867</u>	<u>730,317</u>	<u>818,867</u>
Total	<u>29,622,213</u>	<u>31,127,980</u>	<u>28,916,463</u>	<u>30,376,136</u>

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

19.2 Long-term liabilities under debt restructuring

As at 31 December 2005 and 2004, long-term liabilities under debt restructuring consisted of:

	Note	Consolidated		The Company	
		2005	2004	2005	2004
<i>(in thousand Baht)</i>					
Liabilities under original agreements					
Short-term loans		8,489,969	9,043,302	8,168,352	8,705,403
Long-term loans in foreign currencies		14,521,394	15,652,250	14,521,395	15,652,250
Long-term loans in Baht		3,323,916	3,608,494	2,941,787	3,193,648
Debentures		364,873	393,562	364,873	393,562
Floating rate notes		1,702,232	1,743,308	1,702,231	1,743,308
Convertible debentures		<u>678,797</u>	<u>684,062</u>	<u>678,797</u>	<u>684,062</u>
		29,081,181	31,124,978	28,377,435	30,372,233
Less Long-term liabilities under debt restructuring	4				
under the consideration by the Court		(4,288,055)	-	(4,288,055)	-
Current portion of long-term liabilities under debt restructuring		<u>(2,953,704)</u>	<u>(2,118,213)</u>	<u>(2,869,864)</u>	<u>(2,058,849)</u>
Long-term Liabilities under Debt Restructuring		<u>21,839,422</u>	<u>29,006,765</u>	<u>21,219,516</u>	<u>28,313,384</u>

Until the beginning of the second quarter of 2005, the Company and its subsidiary adopted accounting standard no.34 "Accounting for Troubled Debt Restructurings". The Company believes that it has the ability to refinance the repayment of the outstanding amounts of debts under restructuring agreement by 31 December 2007 in compliance with the terms and conditions of the Debts Restructuring Agreement. Therefore, the interest expense has, since the second quarter of 2005, been recorded based on the effective interest rate, calculated from the future estimated cash flows to be paid completely by the end of the year 2007, according to the said assumption. As a result, the interest expense recorded under Debts Restructuring Agreement for the year ended 31 December 2005 has been reduced by Baht 538 million and Baht 510 million, in the consolidated and the Company's financial statements, respectively. In addition, since the second quarter of 2005, the Company has presented long-term debts under restructuring agreement due over one year and accrued default interest payable amortised over one year under non-current liabilities.

Surplus DRP fund of Debt Repurchase Program of Baht 1,656 million (or USD 40 million equivalent) to be paid to creditors has reduced the debt portion due in the next payment according to the conditions of the Master Restructuring Agreement (see Note 4).

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

As at 31 December 2005 and 2004, long-term liabilities under debt restructuring classified by currency are as follows:

Currencies	Consolidated			
	2005		2004	
	Currencies	Thousand Baht	Currencies	Thousand Baht
Thai Baht	8,794,494	8,794,494	9,621,817	9,621,817
US Dollar	355,977	14,657,209	379,075	14,860,702
EURO	100,085	4,899,161	108,889	5,823,592
Japanese Yen	2,080,174	<u>730,317</u>	2,161,684	<u>818,867</u>
Total		<u>29,081,181</u>		<u>31,124,978</u>

Currencies	The Company			
	2005		2004	
	Currencies	Thousand Baht	Currencies	Thousand Baht
Thai Baht	8,307,161	8,307,161	9,092,761	9,092,761
US Dollar	350,721	14,440,796	373,369	14,637,013
EURO	100,085	4,899,161	108,889	5,823,592
Japanese Yen	2,080,174	<u>730,317</u>	2,161,684	<u>818,867</u>
Total		<u>28,377,435</u>		<u>30,372,233</u>

Currently, there are some claims filed by certain creditors that are different from the amount recorded in the Company's accounts. Such claims are still being examined by the Central Bankruptcy Court and the Supreme Court. Certain claims exceed the liabilities recorded in the Company's and subsidiaries' accounts. However, the total liabilities to all creditors recorded by the Company and the subsidiaries, which includes accrued default interest payable, exceeds the total amount that the Company and subsidiaries have obligations to pay under the MRA.

The Company and its subsidiary have acted according to the Master Restructuring Agreement, which is for 5 years from year 2000 to 2004, with 3 twelve-month extendable periods (totaling 8 years). The Company has received approval for the first extension period ending 31 December 2005 and a further one year to 31 December 2006 (see note 4).

The significant conditions of the Master Restructuring Agreement are as follows:

1) Principal payment conditions are summarized as follows:

2000 to 2001 - Grace period for principal repayment

2002 to 2004 - USD 50 million per annum with payment of USD 25 million every six months.

2005 to 2007 - USD 72 million per annum with payment of USD 36 million every six months.

Cash sweep repayment after cash reserve under the Master Restructuring Agreement.

The above repayments shall be in compliance with the repayment schedule prepared by the Co-ordinator and with the conditions stipulated in the Master Restructuring Agreement, including the debt of the Company's subsidiary.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Currently, the Company and its subsidiary made the principal repayments to all Scheme Creditors, to comply with the terms and conditions stipulated in the Master Restructuring Agreement.

2) Interest rates for the quarterly payments are as follows:

	For the year		
	<u>2000 - 2002</u>	<u>2003 - 2004</u>	<u>2005 - 2007</u>
Baht Debt	MLR	MLR+0.5%	MLR+1.5%
Foreign Currency Debt	LIBOR+1.5%	LIBOR+2%	LIBOR+3%

3) In accordance with the Business Rehabilitation Plan and conditions under the Master Restructuring Agreement, the Company will convert the accrued interest expense and accrued guarantee expense (calculated through November 30, 1999) of the residual debt by issuing new shares to creditors at the same price as paid by investors as defined in the Master Restructuring Agreement. Then, the Company and subsidiary have filed petitions requesting for amendment to the Business Plan and the Master Restructuring Agreement in respect of an option to make payment for accrued interest payable in cash instead of converting such debts into equity. At the present, the Company has already made payment of the said accrued interest payable.

4) Capital increase of US Dollars 180 million.

The Company is required to raise equity funds of at least USD 180 million in order to pay the remaining 90% of the settlement value to the creditors. Currently, the Company has successfully completed the raising of funds as mentioned in Note 21.

5) Dividends

No dividends will be paid until 5 years after the date of the Master Restructuring Agreement (December 2004) or until 85 percent of the restructured debt is repaid. The maximum dividend at any time while any amount of the restructured debt remains outstanding shall be limited to 30% of the cash sweep in the relevant year.

In addition, the Company has to perform under other conditions as stipulated in the debt restructuring agreement.

Letters of guarantee issued by banks were used as collateral against certain long-term debts under the Master Restructuring Agreement.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

23 Reduction in deficit

On 26 March 2004, the meeting of the Plan Administrator approved the transfer of legal reserve amounting to Baht 6,767 million and premium on share capital of Baht 7,615 million in order to reduce the retained deficit as at 31 March 2004 totaling Baht 14,382 million. However, this transaction did not affect the existing shareholders' equity.

24 Company's shares held by a subsidiary

The meeting of the Plan Administrator held on 3 March 2003 approved the donation of 20 million ordinary shares of the Company by assigning a subsidiary company to purchase shares of the Company on the Stock Exchange of Thailand at a price per share not exceeding Baht 17 and paid advances to the subsidiary company of Baht 393 million. In the first quarter of 2003, the subsidiary made purchases of the Company's shares on the Stock Exchange of Thailand totaling Baht 411 million. Of these, 20 million shares purchased by the subsidiary for Baht 333 million are intended to be donated.

The Company has not yet recognized the advances paid for such shares purchased as expenses because there is still uncertainty as to whether this donation of 20 million shares will take place. The Company plans to recognize the advances as an expense in the accounting period when this donation has been completed.

In 2003, the remaining ordinary shares held by a subsidiary for sale with total cost of Baht 91 million were sold at the sale price of Baht 96 million. Gain on sale of the said investment of Baht 5 million was presented as surplus on disposal of own shares held by a subsidiary, shown under shareholders' equity in the consolidated and separate financial statements.

In 2004, the subsidiary purchased 800,000 of the Company's shares on the Stock Exchange of Thailand totaling Baht 28 million. Which resulted in 20.8 million of the Company's shares being held by the said subsidiary as at December 31, 2004, amounting to Baht 361 million. The Company has recorded this as a deduction from the Company's shareholders' equity in the consolidated and separate financial statements and as a decrease in investments of the said subsidiary company by an amount of Baht 36 million. The remaining Baht 325 million has been presented under other current liabilities in the Company's separate financial statements (See notes 11 and 20).

In the first quarter of 2005, the subsidiary obtained 4,956 of the Company's shares from the Company's customer which were defaulted under a guarantee agreement for Baht 0.11 million. Subsequently, in the second quarter of 2005, the subsidiary sold 465,000 of the Company's shares for Baht 14 million with total cost of Baht 16 million. Loss on sale of the said investment of Baht 2 million was recorded to reduce surplus on disposal of the Company's shares held by a subsidiary. As at 31 December 2005, the remaining surplus on disposal of the Company's shares held by a subsidiary of Baht 3 million was presented under shareholders' equity in the consolidated and the Company's financial statements and 20,339,956 of the Company's shares held by the said subsidiary at cost of Baht 345 million were presented as a deduction from shareholders' equity in the consolidated and the Company's financial statements and as a decrease in investments of the said subsidiary company of Baht 33 million. The remaining Baht 312 million has been presented under non-current liabilities in the Company's financial statements (see notes 11 and 20).

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

25 Segment information

Segment information is presented in respect of the Group's business. 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. Others mainly comprise share of profits (losses) from investments accounted for using equity method and gain on investments.

The Group comprises the following main business segments:

- Cement
- Plastic
- Concrete

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Business segment information for each of the years ended 31 December 2005 and 2004, as follows:

	Cement		Plastic		Concrete		Others		Eliminations		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	<i>(in thousand Baht)</i>											
Net sales	12,348,186	12,654,666	7,012,326	6,339,222	3,128,069	2,865,372	-	-	(1,085,633)	(1,015,943)	21,402,948	20,843,317
Gross profit	4,355,493	5,886,039	949,941	809,737	265,295	419,320	-	-	148,560	117,995	5,719,289	7,233,091
Net profit	275,030	3,006,241	845,881	574,269	147,491	457,874	250,860	59,892	2,250	4,611	1,521,512	4,102,887
Capital expenditures	560,464	315,771	917	1,001	201,251	57,853	-	-	-	-	762,632	374,625
Property, plant and equipment, net	48,401,441	49,638,331	6,582,167	7,036,387	722,947	631,956	488,714	488,718	(196,257)	(197,906)	55,999,012	57,597,486
Interest-bearing liabilities	26,558,659	27,823,711	2,357,804	2,552,426	707,000	753,093	-	-	(1,250)	(1,250)	29,622,213	31,127,980

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

26 Other income

Other income for each of the year ended 31 December 2005 and 2004 are summarized as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Interest income	23,727	42,434	21,772	40,302
Rental income	297,288	349,961	295,571	348,144
Others	<u>303,186</u>	<u>229,711</u>	<u>294,598</u>	<u>222,421</u>
Total	<u>624,201</u>	<u>622,106</u>	<u>611,941</u>	<u>610,867</u>

27 Interest expense

Interest expense for each of the years ended 31 December 2005 and 2004 are summarized bellows

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		<i>(in thousand Baht)</i>			
Interest paid and payable to					
- related parties	5	-	-	123	50
- financial institutions	19.2	<u>1,567,795</u>	<u>1,726,312</u>	<u>1,540,950</u>	<u>1,673,879</u>
Total		<u>1,567,795</u>	<u>1,726,312</u>	<u>1,541,073</u>	<u>1,673,929</u>

28 Extraordinary items

9 November 2005, 1 creditor filed a petition with the Central Bankruptcy Court and the Court has given permission (see note 4). Discount on debt repurchase of Baht 18 million and forgiveness of interest payable by the Company and subsidiary of Baht 58 million, totaling Baht 76 million, has been recognized as gain on debt repurchase for the year ended 31 December 2005 and, presented as an extraordinary item in the consolidated and the Company's financial statements.

In the first quarter of 2004, the Company and its subsidiary repaid the DRP Participating Creditors by way of depositing cashier cheques and/or drafts with the Central Bankruptcy Court in the amount of Baht 5,550 million. As at 31 December 2004, 18 and 3 DRP Participating Creditors of the Company and subsidiary respectively, received the depositing cashier cheques and/or drafts in the total amount of Baht 2,685 million. Discount on debt repurchase of Baht 452 million and interest payable by the Company and subsidiary of Baht 840 million would be forgiven and has been recognized as gain on debt repurchase from the DRP Participating Creditors who successively collected for the year ended 31 December 2004 totaling Baht 1,292 million, presented as extraordinary items in the consolidated and the Company's financial statements.

29 Earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to ordinary shareholders of Baht 1,521 million (2004: Baht 4,103 million) and the weighted average number of shares outstanding during the year ended 31 December 2005 of 786,961,636 shares (2004: 770,471,721 shares), calculated as follows:

Weighted average number of ordinary shares

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

	Issued and paid-up share capital (Shares)	Company's shares held by a subsidiary (See note 24)	Consolidated and The Company Number of the weighted average number of ordinary shares for each of the years ended 31 December	
			2005	2004
Issued ordinary shares				
At 1 January 2004	507,500,000		807,500,000	507,500,000
Effect of shares issued in January 2004	<u>300,000,000</u>			<u>283,606,557</u>
At 31 December 2004	807,500,000		807,500,000	791,106,557
Effect of own shares held by a subsidiary				
At 1 January 2004		(20,000,000)	(20,800,000)	(20,000,000)
Purchase in March 2004		<u>(800,000)</u>		<u>(634,836)</u>
At 31 December 2004		(20,800,000)	(20,800,000)	(20,634,836)
Purchase in March 2005		(4,956)	(3,761)	
Sale in June 2005		<u>465,000</u>	<u>265,397</u>	
		<u>460,044</u>	<u>261,636</u>	
At 31 December 2005	<u>807,500,000</u>	<u>(20,339,956)</u>	<u>(20,538,364)</u>	
Weighted average number of ordinary shares as at 31 December			<u>786,961,636</u>	<u>770,471,721</u>

30 Revenue reporting of a promoted industry

Based on the Announcement of the Board of Investment No. 14/1998 dated December 30, 1998 regarding revenue reporting of a promoted industry, the Company is required to report the revenue from domestic sales and export sales separately and to report separately between the promoted and non-promoted business. The Company has domestic sales and export sales for each of the years ended 31 December 2005 and 2004 as follows:

	The Company					
	2005		Total	2004		Total
Promoted business	Non-promoted business	Promoted business		Non-promoted business		
<i>(in thousand Baht)</i>						
Net sales:						
Export sales	557,462	2,201,338	2,758,800	634,628	1,373,923	2,008,551
Domestic sales	<u>2,232,020</u>	<u>14,369,692</u>	<u>16,601,712</u>	<u>2,834,320</u>	<u>14,151,017</u>	<u>16,985,337</u>
Total	<u>2,789,482</u>	<u>16,571,030</u>	<u>19,360,512</u>	<u>3,468,948</u>	<u>15,524,940</u>	<u>18,993,888</u>

In addition, most of the subsidiaries are involved in non-promoted business, except for one which has not yet commenced operations.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Promotional privileges

The Company has been granted privileges by the Board of Investment relating to chemical products. The privileges granted include:

- (a) exemption from customs duty on machinery and equipment approved by the Board;
- (b) exemption of corporate income tax for a period of 8 years from the dates on which the income is first derived from such operations;
- (c) a 50% reduction in the normal income tax rate for a period of 5 years, commencing from the expiry date in (b) above; and
- (d) a deduction of twice the actual transportation, electrical and water supply expenses for 10 years from the respective revenues and a 25% reduction of the capital expenditure for the installation or the construction of the facilities in addition to the normal depreciation.

As promoted companies, the Company and its subsidiary must comply with certain conditions and restrictions provided for in the promotional certificates.

31 Financial instruments

Financial risk management policies

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

Foreign currency risk

The Company is exposed to foreign currency risk relating to purchases, which are denominated in foreign currencies. The Company primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial liabilities denominated in foreign currencies. The forward exchange contracts entered into at the balance sheet date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

At December 31, 2004 the outstanding forward foreign exchange contracts are summarised as follows:

Consolidated and the Company				
<i>(in thousand Baht)</i>				
	Amount	Average		
Currency	currency	contract rate	Contract	Fair value
EURO	624,883	52.455	32,778	33,248

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

The fair values of forward foreign exchange contracts have been calculated using market rates quoted by the Group's bankers to terminate the contracts at the balance sheet date.

As at 31 December 2005 there is no outstanding forward foreign contract.

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 Company 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 obtaining sufficient collateral from customers before commencing trading. The collateral include bank guarantees, bill of exchange aval by banks, cash guarantees, or the personal guarantee by a creditworthy person. 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. However, due to the large number of parties comprising the Company's customer base, Management does not anticipate material losses from its debt collection.

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 Company takes into account its current circumstances and the costs that would be incurred to exchange or settle the underlying financial instrument.

The Company and its subsidiaries used the following methods and assumptions in estimating fair value of financial instruments as disclosed herein:

Cash and cash equivalents and current investments in debt instruments, the carrying values approximate their fair values.

Accounts receivable with maturity periods less than 90 days from the year-end date and past due accounts receivable; the carrying values approximate their fair values. Trade accounts receivable due from inactive customers is presented in other assets; their fair values are their net present values discounted by the Company's weighted average cost of funds with discounted period for 2 years.

Investments in listed securities; the fair value is based on the last bid prices of the securities on the Securities Exchange of Thailand.

Investments in non-listed securities and debt securities held to maturity; the carrying values approximate their fair values.

Accrued interest receivable; the carrying values approximate their fair values.

Prepaid rentals; the fair value is estimated using discounted cash flow analysis based on the Company's weighted average cost of funds for the remaining period of the agreement.

Bank overdraft, trade accounts and notes payable due less than 90 days; the carrying amounts of these financial liabilities approximate their fair values.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Borrowings with maturity periods less than 90 days and past due loans; the carrying values approximate their fair value.

Accrued interest payable; the carrying values approximate their fair values.

Payable on machine purchases; the fair value is estimated by using the discounted cash flow analysis based on the Company's weighted average cost of funds.

Retentions payable; the fair value is estimated by using the discounted cash flow analysis based on the Company's weighted average cost of funds with a discount period of 2 years.

As at 31 December 2005 and 2004, the carrying amounts of financial assets and liabilities of the Company and its subsidiaries are significantly different from their fair value as follows:

	Consolidated			
	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in thousand Baht)</i>			
Financial assets:				
Trade accounts receivable due after more than 1 year	41,395	36,132	51,584	46,573
Prepaid rentals	206,544	68,661	211,791	88,811
Financial liabilities:				
Retention payables	45,348	39,582	37,988	34,298

	The Company			
	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
	<i>(in thousand Baht)</i>			
Financial assets:				
Trade accounts receivable due more than 1 year	41,395	36,132	51,584	46,573
Prepaid rentals	154,512	51,338	159,109	66,993
Financial liabilities:				
Retention payables	45,348	39,582	37,988	34,298

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

32 Commitments and contingent liabilities

As at 31 December 2005 and 2004, the Company has commitments and contingent liabilities as follows:

	Consolidated		The Company	
	2005	2004	2005	2004
	<i>(in thousand Baht)</i>			
Commitments:				
Unused letters of credit	186,306	184,832	186,306	184,832
Under agreements for construction	300,937	284,776	300,937	284,776
Under credit insurance premium agreements	160,115	174,939	160,115	174,939
Contingent liabilities in respect of:				
Guarantees issued on behalf of related and other companies	120,000	120,000	826,999	873,093
Bank guarantees issued on behalf of a company and related companies	174,351	108,780	162,579	100,864

The Company has legal proceedings in the ordinary course of business. In the opinion of management, the ultimate outcome of such proceedings will not have a material adverse effect on the Company's consolidated financial position or future results of operations.

In 1996 and 1997, the Company entered into supply and engineering contracts for the Fourth Cement Plant Project for DM 298 million (or EUR 152 million equivalent) and Baht 24 million, which as at 31 December 2005 are equivalent to a total of Baht 7,475 million (2004: Baht 8,165 million). These contracts have not been completed as the Company's banker has withdrawn finance for the project under the conditions of the borrowings from the bank. However, the Company still has a contingent liability for storage costs of machinery, which is stored abroad. As at 31 December 2005, the Company had made advance payments for machinery of Baht 325 millions (2004: Baht 355 million) (including gain on translation of exchange rate accumulated up to the balance sheets date of Baht 104 million (2004: Baht 134 million), shown as other non-current assets in the consolidated and the Company's financial statements. No provision has been made for any impairment of these advance payments or for any other matters relating to the supply and engineering contracts. Management believes that the Company would receive such machinery subject to finance being made available and further negotiation with the suppliers of the machinery.

On 10 and 15 May 2001 the Official Receiver ordered payments to be made to two creditors under the supply and engineering contracts for the Cement Fourth Plant Project in the amount of DM 9 million (or EUR 5 million equivalent) and DM 123 million (or EUR 63 million equivalent) respectively, including interest. On 4 July 2001 the Company filed petitions with the Central Bankruptcy Court appealing against the decision of the Official Receiver. The Central Bankruptcy Court's decision dated 27 December 2001, ordered the Company to make payments to 2 such creditors of DM 85 million (or EUR 43 million equivalent) and DM 8 million (or EUR 4 million equivalent), which as at 31 December 2005 are equivalent to a total of Baht 2,301 million (2004: Baht 2,514 million) including interest charged at the rate of 7.5% per annum. The Company disagrees with the Bankruptcy Court's decision because the machinery and engineering services have not been delivered to the Company. The Company has appealed to the Supreme Court on 25 January 2002. Currently, the Supreme Court is considering its decision.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

On 4 February 2002, the Official Receiver made an order that a certain scheme creditor is entitled to receive a payment for its claim from the Company of Baht 7,274 million (including accrued interest), (being the outstanding debts as at 21 August 2000, the date on which the Official Receiver issued an order for the creditors to file their claims). Consequently, both the Company and that scheme creditor filed petitions to the Central Bankruptcy Court against the order of the Official Receiver. Subsequently, on 28 June 2004, the Central Bankruptcy Court ordered that the scheme creditor is entitled to receive payment of its claim from the Company in the amount of Baht 7,274 million (including accrued interest). As at 21 August 2000, such liabilities have been recorded in the consolidated and the Company's financial statements totalled Baht 6,952 million and Baht 6,590 million, respectively. As at 31 December 2005, the outstanding balances totalled Baht 4,035 million (2004: 4,437 million) in the consolidated financial statements and Baht 3,834 million (2004: 4,202 million) in the Company financial statements. Currently, the Supreme Court is considering its decision.

As at 31 December 2005 the Company and its subsidiaries have contingent liabilities arising from certain claims filed by some creditors with the Official Receiver in the amount of Baht 65 million. Consequently, the Official Receiver and/or the Central Bankruptcy Court ordered the Company and the subsidiaries to pay such creditors in the amount of Baht 20 million. Currently, both the Company and the creditors have appealed against such order to the Central Bankruptcy Court and the Supreme Court.

In addition, as at 31 December 2005, the Company has contingent liabilities for fees, costs and other related expenses, which have been paid by the Company's creditors under the Debt Restructuring Plan. The amounts are uncertain.

33 Long-term lease agreements

33.1 Building and land lease agreements

The Company and its subsidiaries have long-term office building lease agreements with a related company. Previously, the initial lease term for each lease agreement was for 3 years, with the lease being renewable. In July 1999, the Company and a subsidiary entered into a 90 years office building lease agreement with a related company to replace the expired original office building lease agreements in which the Company and a subsidiary made one payment for the whole lease period (the total rental for the 90 year term of the lease is Baht 40,000 per square meter, equivalent to a monthly rental, before discounting cash flows, of Baht 37 per square meter). The annual rental is deducted from the prepaid rentals. Subsequently, on 24 July 2001, the Company and its subsidiary agreed to sign the amendments in addition to the existing office building lease agreements with a related company. The initial period of the lease is for 30 years, commencing from the original date on which the rentals of each respective agreement were prepaid. The related party warranted that the lease would be renewable for another 2 subsequent periods of 30 years under the same conditions, including rental fee as set out in the original agreements, in order to ensure the coverage of the agreed 90 years lease agreements. However, such lease agreements have not been registered with the Land Department because a bank, as the collateral holder of the land and buildings, did not allow the related company to do so. The management believes that such company has the ability to repay and not to terminate these lease agreements.

In addition, in January 2004, the Company has entered into 2 to 3 years additional office building lease agreements with a related company that commence on 1 February 2004. The Company selects to make one payment for the whole lease period to 5% discount, and the annual rental is deducted from the prepaid rentals.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

Significant details of long-term office building lease agreements with a related company as at 31 December 2005 and 2004 are as follows:

Type of agreement	Prepaid rentals	Remaining prepaid rentals	
		2005	2004
		<i>(in thousand Baht)</i>	
The Company			
2 years lease agreement	4,121	-	2,061
3 years lease agreement	1,838	613	1,225
30 years lease agreement (3 years for original agreement)	143,517	126,538	128,132
30 years lease agreement (90 years for original agreement)	<u>29,669</u>	<u>27,361</u>	<u>27,691</u>
	<u>179,145</u>	<u>154,512</u>	<u>159,109</u>
Subsidiaries			
30 years lease agreement (3 years for original agreement)	47,000	41,280	41,800
30 years lease agreement (90 years for original agreement)	<u>11,659</u>	<u>10,752</u>	<u>10,882</u>
	<u>58,659</u>	<u>52,032</u>	<u>52,682</u>
Total	<u>237,804</u>	<u>206,544</u>	<u>211,791</u>

Additional long-term lease agreements of subsidiaries are as follows:

Type	Remaining period	Remaining rental as at 31 December 2005 <i>(in thousand Baht)</i>
Land (Production facility)	1 January 2006 – 31 October 2008	27,470

Management believes that the annual rental and prepaid rentals reflected the market rental rate at the time the leases were entered into.

Should either party terminate the lease agreement, the unused prepaid rentals are refundable to the Companies. The Companies agreed in principle to execute a second mortgage on the office building as security for the unused prepaid rentals. However, it is not known whether the fair market value of the building, net of existing first mortgage, is in excess of prepaid rentals. As at 31 December 2005, there is no second mortgage agreement as security for the unused prepaid rentals, so the recoverability of prepaid rentals depends on the ability of the related company to repay.

TPI Polene Public Company Limited and its Subsidiaries

Notes to Financial Statements

For each of the years ended 31 December 2005 and 2004

33.2 Car lease agreements

The Company and its subsidiary entered into various car lease agreements with third party companies for 3 years term with a monthly instalment. The details are as follows:

	Remaining period	Remaining rental as at 31 December 2005 <i>(in thousand Baht)</i>
The Company	1 January 2006 – 19 December 2008	23,450
Subsidiary	1 January 2006 – 15 December 2008	<u>11,906</u>
Total		<u>35,356</u>

34 Reclassification of accounts

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