

as at 31<sup>st</sup> December 2005 and 2004

**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF  
LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED**

I have audited the consolidated balance sheets of Laguna Resorts & Hotels Public Company Limited and its subsidiaries as at 31<sup>st</sup> December 2005, and the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the year then ended, and separate financial statements of Laguna Resorts & Hotels Public Company Limited for the same periods. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. I did not audit the financial statements of three subsidiaries, Laguna Beach Club Limited, Laguna (1) Company Limited and Lijiang Banyan Tree Hotel Co., Ltd., which are included in these consolidated financial statements. As at 31<sup>st</sup> December 2005, these subsidiaries had total assets of Baht 1,611.8 million and total revenues for the year then ended of Baht 271.7 million. In addition, the separate financial statements of Laguna Resorts & Hotels Public Company Limited as at 31<sup>st</sup> December 2005 included investments in the aforesaid subsidiaries accounted for under the equity method amounting to Baht 494.1 million, and share of loss of the subsidiaries for the year then ended of Baht 5.5 million. The financial statements of these subsidiaries were audited by their auditors whose reports have been furnished to me, and my opinion insofar as it relates to the amounts included for those subsidiaries in the consolidated financial statements and the Company's financial statements, is based solely on the reports of the other auditors. The consolidated financial statements of Laguna Resorts & Hotels Public Company Limited and its subsidiaries, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the year ended 31<sup>st</sup> December 2004 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 4<sup>th</sup> February 2005, expressed an unqualified opinion on those statements, and based on the report of the other auditor of aforesaid subsidiaries dated 24<sup>th</sup> January 2005.

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

In my opinion, based on my audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial positions of Laguna Resorts & Hotels Public Company Limited and its subsidiaries and of Laguna Resorts & Hotels Public Company Limited as at 31<sup>st</sup> December 2005 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Rungrana Lertsuwankul  
Certified Public Accountant (Thailand) No. 3516

Ernst & Young Office Limited  
Bangkok: 9<sup>th</sup> February 2006

(Unit : Baht)

NOTE	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	631,203,629	515,919,381	53,838,843	45,303,078
Current investment - fixed deposits with financial institutions	38,629,232	40,805,486	-	-
Trade accounts receivable - net	4 810,689,304	858,137,461	60,367,391	60,810,645
Amounts due from related companies	5 24,464,334	26,100,819	23,163,063	9,869,138
Inventories - net	6 144,610,503	127,630,558	17,427,685	11,874,246
Property development cost - net	7 218,519,056	141,364,525	-	-
Other current assets	8 211,215,265	62,992,946	13,902,109	12,907,492
<b>Total Current Assets</b>	<b>2,079,331,323</b>	<b>1,772,951,176</b>	<b>168,699,091</b>	<b>140,764,599</b>
<b>Non-Current Assets</b>				
Restricted deposits at financial institution	2,000,000	2,000,000	-	-
Long-term trade accounts receivable	9 35,231,689	39,627,436	-	-
Investments in subsidiaries accounted for under the equity method	10 -	-	7,704,642,972	7,703,459,048
Other long-term investments	12 210,399,386	219,318,614	13,674,001	25,168,000
Long-term loans to subsidiaries	5 -	-	604,500,000	38,500,000
Property, plant and equipment - net	13 9,485,355,231	6,647,517,339	790,343,036	734,665,597
Land awaiting development	13 639,390,200	700,335,000	-	-
Leasehold rights	14 125,805,115	124,656,114	-	-
Goodwill / (Negative goodwill)	10 20,816,789	(14,356,262)	20,816,789	(14,356,262)
Other non-current assets	19,729,185	18,378,330	6,601,116	7,018,413
<b>Total Non-Current Assets</b>	<b>10,538,727,595</b>	<b>7,737,476,571</b>	<b>9,140,577,914</b>	<b>8,494,454,796</b>
<b>Total Assets</b>	<b>12,618,058,918</b>	<b>9,510,427,747</b>	<b>9,309,277,005</b>	<b>8,635,219,395</b>

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

# BALANCE SHEETS (CONTINUED)

as at 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	NOTE	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current Liabilities					
Short-term loans from financial institutions		590,000,000	60,000,000	397,000,000	60,000,000
Trade accounts payable		257,011,277	206,182,872	42,553,474	33,449,873
Current portion of long-term loans	16	607,929,000	300,000,000	280,000,000	200,000,000
Amounts due to related companies	5	63,401,328	51,534,241	15,535,529	14,232,964
Corporate income tax payable		23,111,420	74,385,956	-	-
Other current liabilities	15	749,658,928	574,171,509	69,133,720	49,403,198
<b>Total Current Liabilities</b>		<b>2,291,111,953</b>	<b>1,266,274,578</b>	<b>804,222,723</b>	<b>357,086,035</b>
Non-Current Liabilities					
Long-term loans from subsidiaries	5	-	-	890,750,000	937,550,000
Long-term loans from related companies	5	180,252,794	-	-	-
Long-term loans - net of current portion	16	2,486,858,743	400,000,000	772,000,000	200,000,000
Other non-current Liabilities		70,726,964	43,171,285	8,496,210	10,817,128
<b>Total Non-Current Liabilities</b>		<b>2,737,838,501</b>	<b>443,171,285</b>	<b>1,671,246,210</b>	<b>1,148,367,128</b>
<b>Total Liabilities</b>		<b>5,028,950,454</b>	<b>1,709,445,863</b>	<b>2,475,468,933</b>	<b>1,505,453,163</b>
<b>Shareholders' Equity</b>					
Share capital					
Registered					
84,670,143 ordinary shares of Baht 10 each		846,701,430	846,701,430	846,701,430	846,701,430
Issued and paid-up					
84,670,143 ordinary shares of Baht 10 each		846,701,430	846,701,430	846,701,430	846,701,430
Premium on ordinary shares		2,062,460,582	2,062,460,582	2,062,460,582	2,062,460,582
Other surpluses					
Capital reserve	17	634,698,720	634,698,720	634,698,720	634,698,720
Revaluation surplus		1,888,359,140	1,985,987,993	1,888,359,140	1,985,987,993
Unrealised (loss) gain on available-for-sale securities	12	(28,856,095)	393,328	(28,856,095)	393,328
Currency translation differences		104,869,520	84,829,377	104,869,520	84,829,377
Retained earnings					
Appropriated - statutory reserve	18	84,670,143	84,670,143	84,670,143	84,670,143
Unappropriated		1,240,904,632	1,430,024,659	1,240,904,632	1,430,024,659
		1,325,574,775	1,514,694,802	1,325,574,775	1,514,694,802
<b>Equity Attributable to Company's Shareholders</b>		<b>6,833,808,072</b>	<b>7,129,766,232</b>	<b>6,833,808,072</b>	<b>7,129,766,232</b>
Minority Interest - equity attributable to minority shareholders of subsidiaries		755,300,392	672,215,652	-	-
<b>Total Shareholders' Equity</b>		<b>7,589,108,464</b>	<b>7,800,981,884</b>	<b>6,833,808,072</b>	<b>7,129,766,232</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>12,618,058,918</b>	<b>9,510,427,747</b>	<b>9,309,277,005</b>	<b>8,635,219,395</b>

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

# STATEMENTS OF EARNINGS

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	NOTE	CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
<b>REVENUES</b>					
Revenues from hotel operations		2,305,533,119	2,803,596,825	288,426,117	443,335,461
Revenues from property development operations		750,134,469	1,051,813,670	-	-
Revenues from office rental operations		100,867,345	-	-	-
Interest income		8,868,924	12,323,064	51,588,382	1,193,828
Reversal of provision for impairment in value of other long-term investment	12	-	40,590,247	-	-
Other income		40,474,916	51,127,932	79,911,922	24,422,992
Share of profits from investments accounted for under the equity method		-	-	140,122,218	981,542,281
<b>Total Revenues</b>		<b>3,205,878,773</b>	<b>3,959,451,738</b>	<b>560,048,639</b>	<b>1,450,494,562</b>
<b>EXPENSES</b>					
Direct hotel operations expenses		2,192,247,029	1,944,449,076	262,959,971	295,411,500
Direct cost of property development operations		486,394,668	561,602,288	-	-
Direct cost of office rental operations		53,814,772	-	-	-
Selling and administrative expenses		263,585,463	232,793,131	212,347,633	162,911,915
Directors' remuneration		8,563,681	10,903,596	8,563,681	10,903,596
Foreign exchange loss		38,804,420	8,105,024	10,670,416	3,574,915
<b>Total Expenses</b>		<b>3,043,410,033</b>	<b>2,757,853,115</b>	<b>494,541,701</b>	<b>472,801,926</b>
<b>Earnings Before Interest Expenses and Income Tax</b>		<b>162,468,740</b>	<b>1,201,598,623</b>	<b>65,506,938</b>	<b>977,692,636</b>
Interest Expenses		(138,102,723)	(39,813,346)	(99,406,674)	(51,303,201)
Corporate Income Tax	19	(46,517,226)	(156,574,480)	-	-
<b>(Loss) Earnings After Income Tax</b>		<b>(22,151,209)</b>	<b>1,005,210,797</b>	<b>(33,899,736)</b>	<b>926,389,435</b>
<b>Net Earnings of Minority Interest In Subsidiaries</b>		<b>(11,748,527)</b>	<b>(78,821,362)</b>	<b>-</b>	<b>-</b>
<b>Net (Loss) Earnings before Extraordinary Item</b>		<b>(33,899,736)</b>	<b>926,389,435</b>	<b>(33,899,736)</b>	<b>926,389,435</b>
Extraordinary Item - provision for impairment of fixed assets, attributable to	20				
- Share of profits (loss) from investments accounted for under the equity method		-	-	6,098,442	(21,000,000)
- Reversal of provision/(expenses)		16,230,665	(45,000,000)	8,021,553	(20,000,000)
- Minority interest		(2,110,670)	4,000,000	-	-
		14,119,995	(41,000,000)	14,119,995	(41,000,000)
<b>Net (Loss) Earnings for the Year</b>		<b>(19,779,741)</b>	<b>885,389,435</b>	<b>(19,779,741)</b>	<b>885,389,435</b>
<b>Basic Earnings per Share</b>					
Net (loss) earnings before extraordinary item		(0.40)	10.94	(0.40)	10.94
Extraordinary item		0.17	(0.48)	0.17	(0.48)
<b>Net (loss) earnings for the year</b>		<b>(0.23)</b>	<b>10.46</b>	<b>(0.23)</b>	<b>10.46</b>

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON ORDINARY SHARES	CAPITAL RESERVE	REVALUATION SURPLUS	CONSOLIDATED				MINORITY INTEREST	TOTAL
						UNREALISED (LOSS) GAIN ON AVAILABLE-FOR- SALE SECURITIES	CURRENCY TRANSLATION DIFFERENCES	APPROPRIATED – SECURITY RESERVE	RETAINED EARNINGS UNAPPROPRIATED		
<b>Balance - at 1<sup>st</sup> January 2004</b>		846,701,430	2,062,460,582	634,698,720	1,592,803,768	38,349,480	84,371,915	84,670,143	713,975,510	597,015,364	6,655,046,912
Revaluation of assets		-	-	-	475,024,767	-	-	-	-	55,968,390	530,993,157
Amortisation of revaluation surplus		-	-	-	(32,862,250)	-	-	-	-	(7,509,441)	(40,371,691)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(17,878,292)	-	-	-	-	-	(17,878,292)
Reversal of revaluation surplus of provision for impairment of fixed assets		-	-	-	(31,100,000)	-	-	-	-	(900,000)	(32,000,000)
Unrealised loss on available-for-sale securities		-	-	-	-	(37,956,152)	457,462	-	-	-	(37,956,152)
Currency translation differences		-	-	-	-	-	-	-	-	311,753	769,215
Payment of share capital increase of subsidiary		-	-	-	-	-	-	-	-	-	-
Extraordinary item	20	-	-	-	-	-	-	-	-	-	-
Dividend payment	28	-	-	-	-	-	-	-	-	-	-
<b>Balance - at 31<sup>st</sup> December 2004</b>		846,701,430	2,062,460,582	634,698,720	1,985,987,993	393,328	84,829,377	84,670,143	1,430,024,659	671,215,652	7,800,981,884
Amortisation of revaluation surplus		-	-	-	(31,620,923)	-	-	-	-	(7,070,766)	(38,691,689)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(97,107,930)	-	-	-	-	-	(97,107,930)
Reversal of revaluation surplus of provision for impairment of fixed assets		-	-	-	-	-	-	-	-	-	-
Unrealised loss on available-for-sale securities		-	-	-	31,100,000	(29,249,423)	20,040,143	-	-	900,000	32,000,000
Currency translation differences		-	-	-	-	-	-	-	-	-	(29,249,423)
Purchase of minority interest shares		-	-	-	-	-	-	-	-	8,130,577	28,170,720
Payment of share capital increase of subsidiary		-	-	-	-	-	-	-	-	(1,598,017)	(1,598,017)
Extraordinary item	20	-	-	-	-	-	-	-	-	-	-
Dividend payment	28	-	-	-	-	-	-	-	-	-	-
<b>Balance - at 31<sup>st</sup> December 2005</b>		846,701,430	2,062,460,582	634,698,720	1,888,359,140	(28,856,095)	104,869,520	84,670,143	1,240,904,632	755,300,392	7,589,108,464

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

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	NOTE	ISSUED AND PAID-UP SHARE CAPITAL	PREMIUM ON ORDINARY SHARES	CAPITAL RESERVE	REVALUATION SURPLUS	UNREALISED (LOSS) GAIN ON AVAILABLE-FOR- SALE SECURITIES	CURRENCY TRANSLATION DIFFERENCES	RETAINED EARNINGS		
								APPROPRIATED – STATUTORY RESERVE	UNAPPROPRIATED	TOTAL
<b>Balance - at 1<sup>st</sup> January 2004</b>		846,701,430	2,062,460,582	634,698,720	1,592,803,768	38,349,480	84,371,915	84,670,143	713,975,510	6,058,031,548
Revaluation of assets		-	-	-	475,024,767	-	-	-	-	475,024,767
Amortisation of revaluation surplus		-	-	-	(32,862,250)	-	-	-	-	(32,862,250)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(17,878,292)	-	-	-	-	(17,878,292)
Reversal of revaluation surplus of provision for impairment of fixed assets		-	-	-	(31,100,000)	-	-	-	-	(31,100,000)
Unrealised loss on available-for-sale securities		-	-	-	-	(37,956,152)	457,462	-	-	(37,956,152)
Currency translation differences		-	-	-	-	-	-	-	-	457,462
Items not recognised in earnings statements		-	-	-	-	(37,956,152)	457,462	-	-	355,685,535
Net earnings before extraordinary item for the year 2004		-	-	-	393,184,225	-	-	-	-	926,389,435
Extraordinary item	20	-	-	-	-	-	-	-	-	(41,000,000)
Dividend payment	28	-	-	-	-	-	-	-	-	(169,340,286)
<b>Balance - at 31<sup>st</sup> December 2004</b>		846,701,430	2,062,460,582	634,698,720	1,985,987,993	393,328	84,829,377	84,670,143	1,430,024,659	7,129,766,232
Amortisation of revaluation surplus		-	-	-	(31,620,923)	-	-	-	-	(31,620,923)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(97,107,930)	-	-	-	-	(97,107,930)
Reversal of revaluation surplus of provision for impairment of fixed assets		-	-	-	(31,100,000)	-	-	-	-	(31,100,000)
Unrealised loss on available-for-sale securities		-	-	-	-	(29,249,423)	20,040,143	-	-	(29,249,423)
Currency translation differences		-	-	-	-	-	-	-	-	20,040,143
Items not recognised in earnings statements		-	-	-	(97,628,853)	(29,249,423)	20,040,143	-	-	(106,838,133)
Net loss before extraordinary item for the year 2005		-	-	-	-	-	-	-	-	(33,899,736)
Extraordinary item	20	-	-	-	-	-	-	-	-	14,119,995
Dividend payment	28	-	-	-	-	-	-	-	-	(169,340,286)
<b>Balance - at 31<sup>st</sup> December 2005</b>		846,701,430	2,062,460,582	634,698,720	1,888,359,140	(28,856,095)	104,869,520	84,670,143	1,240,904,632	6,833,808,072

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

# STATEMENTS OF CASH FLOWS

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net (loss) earnings for the year	(19,779,741)	885,389,435	(19,779,741)	885,389,435
Adjustments to reconcile net (loss) earnings to net cash provided by (paid from) operating activities				
Net earnings of minority interest	13,859,197	74,821,362	-	-
Interest expenses	138,102,723	39,813,346	99,406,674	51,303,201
Corporate income tax	46,517,226	156,574,480	-	-
Earnings before interest expenses and income tax	178,699,405	1,156,598,623	79,626,933	936,692,636
Adjustments for:				
Extraordinary item - (reversal of) provision for impairment of fixed assets	(16,230,665)	45,000,000	(8,021,554)	20,000,000
Depreciation	345,280,429	244,582,157	35,597,066	35,801,638
Amortisation of leasehold rights	6,325,000	11,898,993	-	-
Amortisation of (negative goodwill) / goodwill on consolidation	216,314	5,158,243	-	-
(Reversal of) allowance doubtful debtors	4,497,828	(2,025,608)	-	-
Share of profits from investments accounted for under the equity method	-	-	(146,220,660)	(960,542,281)
Loss on the dissolution of a subsidiary	-	-	29,000,000	-
(Reversal of) allowance for impairment in value of other long-term investment	999,999	(40,590,247)	999,999	-
Unrealised foreign exchange loss (gain)	34,058,916	(1,596,756)	3,742,283	(1,499,365)
Reversal of land devaluation	-	(1,677,387)	-	-
Loss from sale of fixed assets	-	78,579	-	-
Write off fixed assets	8,479,486	4,248,334	6,020,366	-
Utilised of provision for impairment of fixed assets	(15,479,495)	-	(3,145,939)	-
Gain from property sales recognition	(34,014,717)	(41,948,353)	-	-
<b>Decrease (increase) in operating assets</b>				
Trade accounts receivable	79,385,758	(269,628,876)	443,253	4,693,311
Amounts due from related companies	10,225,212	20,980,303	(13,293,926)	(453,585)
Inventories	(9,054,285)	(21,020,663)	(5,553,439)	(2,641,721)
Property development cost	(37,444,708)	25,063,748	-	-
Other current assets	(135,823,242)	(9,237,566)	(2,493,979)	407,785
Long-term trade accounts receivable	4,395,748	8,603,131	-	-
Other non-current assets	(936,454)	(1,456,615)	417,297	(487,329)

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

# STATEMENTS OF CASH FLOWS (CONTINUED)

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>Increase (decrease) in operating liabilities</b>				
Trade accounts payable	16,264,021	67,687,469	9,103,601	6,795,484
Amounts due to related companies	(16,931,634)	(3,621,805)	1,302,564	(4,085,165)
Other current liabilities	43,646,257	49,278,603	17,487,604	117,297
Other non-current liabilities	27,555,678	6,553,453	(2,320,915)	2,228,553
Net cash from operating activities before interest and income tax paid	494,114,851	1,252,927,760	2,690,554	37,027,258
Interest paid	(138,102,723)	(39,813,346)	(99,406,674)	(51,303,201)
Income tax paid	(98,152,851)	(164,611,961)	-	-
<b>Net cash from (used in) operating activities</b>	<b>257,859,277</b>	<b>1,048,502,453</b>	<b>(96,716,120)</b>	<b>(14,275,943)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>				
Increase in restricted deposits at financial institutions	-	(2,000,000)	-	-
Increase of long-term loans to subsidiaries	-	-	(566,000,000)	(32,598,051)
Purchase of other long-term investments	(21,330,193)	-	-	-
Purchase of investments in subsidiaries	(1,598,017)	-	-	-
Acquisition of investments in subsidiaries, net of cash acquired (Note 10)	40,009,493	-	(28,500,000)	(15,257,000)
Dividend received from subsidiaries	-	-	-	437,560,418
Increase in leasehold rights	-	(18,808,866)	-	-
Cash payments for acquisitions of fixed assets	(1,029,873,179)	(218,476,723)	(73,144,719)	(39,632,149)
Cash received from sales of fixed assets	755,904	2,284,633	36,890	309,202
<b>Net cash from (used in) investing activities</b>	<b>(1,012,035,992)</b>	<b>(237,000,956)</b>	<b>(667,607,829)</b>	<b>350,382,420</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>				
Dividend payment of the Company and a subsidiary	(189,341,086)	(249,343,486)	(169,340,286)	(169,340,286)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	530,000,000	(150,000,000)	337,000,000	(140,000,000)
Repayment of long-term loans from other company of a newly acquired subsidiary	(1,111,000,000)	-	-	-
Increase (decrease) of long-term loans from subsidiaries	-	-	(46,800,000)	217,950,000
Increase (decrease) of long-term loans from related companies	180,252,794	(5,746,255)	-	-
Draw down of long-term loans	3,783,406,736	10,000,000	892,000,000	-
Repayment of long-term loans	(2,415,898,284)	(320,000,000)	(240,000,000)	(240,000,000)
Cash received from minority shareholder for share capital increase of subsidiaries	89,864,549	31,511,424	-	-
<b>Net cash from (used in) financing activities</b>	<b>867,284,709</b>	<b>(683,578,317)</b>	<b>772,859,714</b>	<b>(331,390,286)</b>
Net increase in cash and cash equivalents	113,107,994	127,923,180	8,535,765	4,716,191
Cash and cash equivalents at beginning of year	556,724,867	428,801,687	45,303,078	40,586,887
<b>Cash and cash equivalents at end of year (Note 23)</b>	<b>669,832,861</b>	<b>556,724,867</b>	<b>53,838,843</b>	<b>45,303,078</b>

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

**1. GENERAL INFORMATION**

Laguna Resorts & Hotels Public Company Limited was incorporated as a public limited company under Thai law and listed in the Stock Exchange of Thailand on 25<sup>th</sup> November 1993. Its major shareholder is Banyan Tree Holdings Pte Ltd.

The Company and its subsidiaries operate in Thailand and principally engage in the hotel business. There are four hotels in Laguna Phuket, namely Dusit Laguna Resort, Laguna Beach Resort, Sheraton Grande Laguna Phuket and Banyan Tree Phuket, located in Phuket province and one hotel, the Banyan Tree Bangkok, located in Bangkok. The subsidiaries also engage in operating a golf club (Laguna Phuket Golf Club), sales of merchandise (Banyan Tree Gallery), office and resort rental, property development and lease of furnished condominium units to members on a time-sharing basis.

The Company's and some of its subsidiaries' registered office is located on 21/12A, 21/13, 21/65B, 21/66B, 21/67 Thai Wah Tower I, 6th, 22nd, 23rd Floor, South Sathorn Road, Tungmahamek, Sathorn, Bangkok.

**2. BASIS OF CONSOLIDATION**

The consolidated financial statements include the financial statements for the years ended 31<sup>st</sup> December 2005 and 2004 of Laguna Resorts & Hotels Public Company Limited ("the Company") and its subsidiaries as follows: -

	PLACE OF INCORPORATION	PERCENTAGE OF SHAREHOLDING		NATURE OF BUSINESS
		2005	2004	
<b>Subsidiaries directly held by the Company</b>				
TWR-Holdings Limited	Thailand	100.0	100.0	Investment holding
Laguna Holiday Club Limited	Thailand	100.0	100.0	Time-share business
Cheer Golden Limited	Hong Kong	100.0	100.0	Investment holding
Laguna Grande Limited	Thailand	100.0	100.0	Operating a golf club and property development
Laguna (3) Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Laguna Sports Limited	Thailand	-	100.0	Dormant <sup>(a)</sup>
Wenco-Thai Limited	Thailand	100.0	51.0	Dormant
Banyan Tree Gallery (Thailand) Limited	Thailand	51.0	51.0	Sales of merchandise
Banyan Tree Gallery (Singapore) Pte Ltd.	Singapore	51.0	51.0	Sales of merchandise
<b>Subsidiaries held through TWR-Holdings Limited</b>				
Pai Samart Development Company Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Mae Chan Property Company Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Phuket Resort Development Limited	Thailand	100.0	100.0	Property development <sup>(a), (b)</sup>
Twin Waters Development Company Limited	Thailand	100.0	100.0	Property development
PT AVC Indonesia	Indonesia	100.0	100.0	Time-share business
PCD Limited	Thailand	-	100.0	Dormant <sup>(a)</sup>
Laguna Banyan Tree Limited	Thailand	100.0	100.0	Hotel operations
Lijiang Banyan Tree Hotels Co., Ltd.	China	70.0	70.0	Hotel operations
Laguna Beach Club Limited	Thailand	60.0	60.0	Hotel operations
Laguna (1) Limited	Thailand	60.0	60.0	Property development <sup>(a)</sup>
Talang Development Company Limited	Thailand	50.0	50.0	Property development <sup>(a)</sup>
Thai Wah Plaza Limited	Thailand	100.0	-	Hotel operations
Thai Wah Tower Company Limited	Thailand	100.0	-	Office Rental
Thai Wah Tower (2) Company Limited	Thailand	100.0	-	Office Rental
Laguna Excursions Limited	Thailand	49.0	-	Has not yet operated

<sup>(a)</sup> Hold land plots for future development.

<sup>(b)</sup> Own the land on which the 4 hotels are situated.

<sup>(c)</sup> Liquidated companies.

Laguna Resorts & Hotels Public Company Limited ("the Company") and its subsidiaries (continued):

	PLACE OF INCORPORATION	PERCENTAGE OF SHAREHOLDING		NATURE OF BUSINESS
		2005	2004	
<b>Subsidiaries held through Laguna Grande Limited</b>				
Bangtao (1) Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Bangtao (2) Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Bangtao (3) Limited	Thailand	100.0	100.0	Property development <sup>(a), (b)</sup>
Bangtao (4) Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Bangtao Development Limited	Thailand	100.0	100.0	Property development <sup>(a)</sup>
Bangtao Grande Limited	Thailand	100.0	100.0	Hotel operations
Laguna Central Limited	Thailand	100.0	100.0	Has not yet operated
<b>Subsidiaries held through the Company and three subsidiaries</b>				
Laguna Service Company Limited	Thailand	86.5	86.5	Provide utilities and other services to hotels of the Company and subsidiaries

<sup>(a)</sup> Hold land plots for future development.

<sup>(b)</sup> Own the land on which the 4 hotels are situated.

<sup>(c)</sup> Liquidated companies.

The Company has a 60 percent shareholding in Laguna Beach Club Limited. However, the Company has recognized its share of the profits of this subsidiary at 50 percent in accordance with the profit sharing percentage in the Articles of Association.

The Company has a 49 percent shareholding in Laguna Excursions Limited. However, the Company has recognised its share of the profits of this subsidiary at 100 percent in accordance with the profit sharing percentage in the Articles of Association.

There have been some changes in the composition of the subsidiaries during the year 2005 as follows:

On 8<sup>th</sup> March 2005, TWR-Holdings Limited, a subsidiary, acquired 100 percent of the shares of Thai Wah Plaza Limited and its subsidiaries, Thai Wah Tower Company Limited and Thai Wah Tower (2) Company Limited for a total consideration of Baht 41.5 million. The excess of the cost of acquisition over the fair value of the identifiable net assets is recorded as 'Goodwill' which amounted to Baht 35.4 million at the date of acquisition. This is presented in the balance sheet and is amortised as an expense on a straight-line basis over 20 years.

Balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. Investments in subsidiaries in the financial statements of the Company only have been eliminated with the subsidiaries' shareholders equity in preparing the consolidated financial statements.

The percentage of the total assets and total revenues of the major subsidiaries in relation to the total assets and total revenues as included in the consolidated financial statements as at 31<sup>st</sup> December 2005 are as follows: -

SUBSIDIARIES	PERCENTAGE OF TOTAL ASSETS INCLUDED IN THE CONSOLIDATED BALANCE SHEETS	PERCENTAGE OF TOTAL REVENUES INCLUDED IN THE CONSOLIDATED STATEMENTS OF EARNINGS
Laguna Grande Limited <sup>(*)</sup>	4.0	1.7
Laguna Banyan Tree Limited	15.4	23.6
Bangtao Grande Limited	7.9	16.0
Laguna Beach Club Limited	5.6	8.4
Bangtao Development Limited	13.3	1.0
Thai Wah Plaza Limited	14.5	19.7
Laguna Holiday Club Limited	3.9	12.4

(\*) excluding the investment accounted for under the equity method in Bangtao Grande Limited



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below: -

**3.1 Revenue recognition****(a) Revenue from hotel operations**

- Revenue from hotel operations mainly comprises room sales, food and beverage sales and revenues from auxiliary activities, and represents the invoiced value (excluding value added tax) of goods supplied and services rendered after deducting discounts and service charges.
- Revenue from sales of merchandise (Gallery operation) represents the invoiced value (excluding value-added tax) of goods supplied after deducting discounts.

**(b) Revenue from property development operations****- Revenue from sale of land and houses**

Revenues from sale of land and houses are recognised when a legally binding contract is signed and by applying the percentage of completion method. The percentage of completion is arrived at based on actual costs incurred as compared to the total anticipated construction costs, excluding cost of land, and based on estimations performed by independent engineers. The subsidiaries recognise income when the initial payment and installments received are at least twenty percent of the contract price and the construction work is at least ten percent completed. Revenue recognition is discontinued when there are three consecutive installments overdue.

Revenues from the sale of land are recognised by applying the completion method when the ownership has been transferred to buyers or all payments are received from the buyers.

**- Revenue from sales of furniture in condominium units**

Revenue from sales of furniture in condominium units are recognised when furniture is completely installed according to the customers' specifications.

**- Revenue from sale of right to use of condominium units (time-share business)**

Revenue from sales of right to use of condominium units under time-share membership is recognised when a legally binding contract has been signed and the initial payment and installments received amount to at least twenty-five percent of the contract price.

**(c) Revenues from rental and services**

Rental income is recognised over the lease period and the related service income is recognised when services are rendered.

**3.2 Cost of land and houses sold**

In determining the cost of land and houses sold, the anticipated total development cost (after recognising the cost incurred to date) are attributed to units already sold and then recognised as cost in the earnings statement according to the percentage of completion basis.

**3.3 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at banks and deposits with financial institutions with an original maturity of 3 months or less and without restrictions.

**3.4 Trade accounts receivable and allowance for doubtful accounts**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated collection losses that may be incurred in the collection of receivables. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date.

**3.5 Property development cost**

Property development cost is stated at the lower of cost and net realisable value. Cost comprises cost of land, design fee, infrastructure, construction and related interest.

In determining the cost of sales of the time-share business, the cost of each condominium unit is divided equally by the number of weeks in a year and then the cost of each week sold is recognised in the earnings statement on the first-in, first-out basis.

**3.6 Inventories**

Inventories are valued at the lower of cost and net realisable value, cost being determined on either the first-in, first-out or the weighted average basis.

**3.7 Investments**

Investments in subsidiaries (in the financial statements of the Company) and associated companies are stated under the equity method of accounting. Under this method, the investment is recorded at cost. For each subsequent year the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiaries and associated companies. Losses over the cost of investment are presented as a liability under the caption of "Provision for loss on investments in subsidiaries and associated companies".

**3.8 Other long-term investments**

Long-term investments in marketable equity securities which the Company and subsidiaries intend to hold as available-for-sale are determined at fair value (fair value is based on the latest bid prices quoted by the Stock Exchange of Thailand on the last working day as of the balance sheet date) and recognise changes in the value of investments as a separate item under shareholders' equity under the caption of "Unrealised gain/loss on available-for-sale securities".

Long-term investments in non-marketable equity securities which the Company and subsidiaries hold as other investments are carried at cost.

For long-term investments in both marketable and non-marketable equity or debt securities, a test for impairment is carried out when there is a factor indicating that such investments might be impaired. Loss on impairment (if any) is recognised in the earnings statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the earnings statement.

When disposing of part of a particular investment in debt or equity securities, the carrying amount of the disposed part is determined as the weighted average carrying amount of the total holding of the investment.

**3.9 Property, plant and equipment****(a) Hotel properties**

Hotel properties which consist of land, buildings, fixtures and equipment of buildings are stated at cost less accumulated depreciation. The Company and subsidiaries initially record land, buildings, fixtures and equipment of buildings at cost at the acquisition date. Such fixed assets have been however subsequently revalued by an independent appraiser, to their fair values. As a policy, the revaluation will be performed every

three years. If within that period, there are factors which may cause significant changes in the value of assets, the revaluation will be performed in that year.

(b) Other fixed assets/land awaiting development

Fixed assets other than hotel properties are stated at cost less accumulated depreciation, except for land and land awaiting development which is stated at revaluation made by an independent appraiser. As a policy, land revaluation by an independent appraiser will be made every three years. If within that period, there are factors which may cause significant changes in the value of assets, the revaluation will be performed in that year.

The differences arising from revaluation are dealt with in the financial statements of the Company and subsidiaries as follows:

- When an asset's carrying amount is increased as a result of the revaluation of the Company and subsidiaries' assets, the increase is credited directly to equity under the heading of "Revaluation surplus". The Company's proportional interest in the surplus from revaluation of the fixed assets of the subsidiaries (based on the Company's equity holding in the subsidiaries) is also presented under the caption of "Revaluation surplus" in shareholders' equity in the balance sheet. However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of the revaluation of the Company and subsidiaries' assets, the decrease is recognised as an expense in the earnings statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus" to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of those same assets. Any excess amount is to be recognised as an expense in the earnings statement.

### 3.10 Depreciation

Depreciation of plant and equipment is calculated by reference to its cost or reappraised value on a straight-line basis over estimated useful lives as follows: -

Buildings and improvements	10 - 50	years
Furniture, fixtures and equipment	5 - 15	years
Operating and office equipment	3 - 10	years
Golf course	5 - 10	years
Motor vehicles	5	years

No depreciation has been provided for land and construction in process.

Depreciation on revalued/devalued assets is calculated on the straight-line method, based on the revalued amount of the fixed asset and its remaining useful life. Depreciation is included in determining earnings.

The amount of the surplus amortised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Amortisation is transferred to the earnings statement.

### 3.11 Leasehold rights and amortisation

Leasehold rights are stated at cost less accumulated amortisation and any impairment losses (if any). Amortisation of leasehold rights are calculated by reference to their costs on a straight-line basis over the following leasehold periods: -

Land	40	years
Hotel units	20	years

The leasehold period is in line with the underlying lease of the respective assets.

### 3.12 Goodwill and negative goodwill

Goodwill is generated as a result of investments in subsidiaries being made at a cost higher than the fair value of identifiable net assets of subsidiaries.

Negative goodwill is generated as a result of investments in subsidiaries being made at a cost lower than the fair value of identifiable net assets of subsidiaries.

Goodwill and negative goodwill are stated at cost less amortisation and any impairment losses (if any). Amortisation is calculated on a straight-line basis over 20 years for hotel operation acquisitions, and over three years for other business acquisitions.

### 3.13 Foreign currencies

Foreign currency transactions during the year are translated into Baht at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date.

Exchange gains and losses are included in determining earnings.

The financial statements of the subsidiaries and associated companies incorporated overseas are translated to Thai Baht at the closing exchange rate for assets and liabilities, and at the average exchange rate for revenues and expenses. The resulting difference has been shown under the caption of "Currency translation differences" in the shareholders' equity.

### 3.14 Provident fund

The Company and its subsidiaries and their employees have jointly established a provident fund as approved by the Ministry of Finance in accordance with the Provident Fund Act (B.E. 2530). Contributions are made to the fund by both employees and the Company and its subsidiaries and will be paid to employees upon termination in accordance with the rules of the Company and its subsidiaries' provident fund.

### 3.15 Basic earnings per share

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

### 3.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates for certain accounting transactions, impacting amounts reported in the financial statements and notes related thereto. Subsequent actual results may differ from these estimates.

## 4. TRADE ACCOUNTS RECEIVABLE - NET

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Trade accounts receivable - hotel operations	499,510,257	420,344,345	62,251,218	62,694,472
Less : Allowance for doubtful accounts	(7,236,413)	(4,575,025)	(1,883,827)	(1,883,827)
Trade accounts receivable - hotel operations, net	492,273,844	415,769,320	60,367,391	60,810,645
Trade accounts receivable - sales of property				
- Installments due	62,823,358	22,620,046	-	-
- Unbilled receivable (not yet due)	233,609,783	393,288,325	-	-
Current portion of long-term trade accounts receivable (Note 9)	25,982,319	26,459,770	-	-
Total	322,415,460	442,368,141	-	-
Less : Allowance for doubtful accounts	(4,000,000)	-	-	-
Trade accounts receivable - sales of property, net	318,415,460	442,368,141	-	-
<b>Trade accounts receivable, net</b>	<b>810,689,304</b>	<b>858,137,461</b>	<b>60,367,391</b>	<b>60,810,645</b>

The aging of the outstanding balance of trade accounts receivable - hotel operations are as follows:-

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Less than 30 days	447,911,944	332,403,886	51,980,821	40,850,969
31 - 60 days	32,941,194	68,984,647	6,473,724	16,972,796
61 - 90 days	10,490,431	14,207,562	1,878,029	3,862,093
91 - 120 days	2,241,752	2,014,540	390,045	738,374
More than 120 days	5,924,936	2,733,710	1,528,599	270,240
Total	499,510,257	420,344,345	62,251,218	62,694,472
Less : Allowance for doubtful accounts	(7,236,413)	(4,575,025)	(1,883,827)	(1,883,827)
<b>Trade accounts receivable - hotel operations, net</b>	<b>492,273,844</b>	<b>415,769,320</b>	<b>60,367,391</b>	<b>60,810,645</b>

Additional information on trade accounts receivable - sales of property are as follows:-

(Unit : Baht)

	CONSOLIDATED	
	2005	2004
<b>Total value of contracts signed</b>	<b>1,928,798,447</b>	<b>1,412,081,064</b>
Installments due	1,463,979,715	803,698,537
Less : Collections	(1,401,156,357)	(781,078,491)
<b>Accounts receivable - installments due</b>	<b>62,823,358</b>	<b>22,620,046</b>
Revenues recognised	1,732,637,04	1,232,177,094
Less : Installments due	(1,463,979,715)	(803,698,537)
Long-term trade accounts receivable - installment receivable (Note 9)	(35,048,206)	(35,190,232)
<b>Unbilled receivable (not yet due)</b>	<b>233,609,783</b>	<b>393,288,325</b>

Unbilled receivable (not yet due) represents final payments which have not yet been received from customers, but which are recognised as income under the percentage of completion method.

## 5. RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries and related companies (related by way of shareholding, common shareholders, directors and/or management). Such transactions are summarised below. Significant transactions are disclosed separately and non-significant transactions have been grouped.

Transactions between the group (the Company and its subsidiaries) and related companies

(Unit : Million Baht)

	PAYEE	PAYER	2005	2004	PRICING POLICY
Reimbursement of costs	BTHR	LBTL	34.2	35.0	(2) agreed basis
	BTHR	TWPL	12.6	11.1	(2) agreed basis
	BTRS(T)	TWPL	2.7	2.0	(2) agreed basis
	LBTL	BTHR	3.8	17.7	(2) agreed basis
	LBTL	BTR	0.5	3.2	(2) agreed basis
	LBTL	BTRS(T)	6.2	6.7	(2) agreed basis
	LRH	BTHL	0.5	3.0	(2) agreed basis
	LRH	BTHR	2.9	2.0	(2) agreed basis
	LRH	BTR	1.8	2.4	(2) agreed basis
	TWPL	BTHR	7.7	2.4	(2) agreed basis
Inter resort charges	TWPL	BTRS(T)	11.0	9.2	(2) agreed basis
	Other		9.6	6.4	(2) agreed basis
	BTRS(T)	BGL	14.9	32.0	(3) agreed basis
	BTRS(T)	LBC	7.2	12.7	(3) agreed basis
	BTRS(T)	LBTL	40.3	68.3	(3) agreed basis
	BTRS(T)	LRH	7.4	14.5	(3) agreed basis
	BTRS(T)	TWPL	30.2	30.9	(3) agreed basis
	Other		0.3	-	(3) agreed basis
Credit card commission	Other		0.5	1.1	(4) agreed basis
Commission on spa guests	LBC	BTRS(T)	0.6	1.0	(5) agreed basis
Resort service charges	LSC	BTRS(T)	3.8	4.8	(6) agreed basis
Management fees	BTHR	LBTL	52.2	79.1	(8)(i), (v) agreement
	BTHR	LGL	2.9	3.4	(8)(ii) agreement
	BTHR	TWPL	66.7	55.6	(8)(iii), (v) agreement
	Dusit	LRH	8.8	23.1	(8)(iv) agreement
Rent and service	BGL	BTRS(T)	1.4	2.2	(10)(i) agreement
	BTRS(T)	TWPL	1.6	0.5	(10)(xiv) agreement
	LBTL	BTRS(T)	4.7	8.7	(10)(i) agreement
	LRH	BTRS(T)	0.9	1.7	(10)(i) agreement
	TWC	BTG(T)	1.0	1.1	(10)(ii) agreement
	TWC	LRH	2.2	2.2	(10)(ii) agreement
	TWC	TWPL	1.0	1.0	(10)(ii) agreement
	TWPL	BTRS(T)	6.5	7.2	(10)(i),(ii) agreement
	TWPL	TDC	1.8	1.8	(10)(ii) agreement
	TWPL	TWFP	4.4	4.3	(10)(ii) agreement
	Other		1.6	1.8	(10) agreements



(Unit : Million Baht)

	PAYEE	PAYER	2005	2004	PRICING POLICY
Purchase of goods	BTG(T)	BTRS(T)	3.4	1.2	(9)(i), (iii) agreed basis
	BTG(S)	BTHR	2.7	1.6	(9)(iii) agreed basis
	BTG(S)	BTRS	12.4	5.8	(9)(iii) agreed basis
	BTG(S)	MA	0.7	2.0	(9)(iii) agreed basis
	BTG(S)	PTBH	15.8	5.9	(9)(iii) agreed basis
	BTG(S)	VM	5.6	6.8	(9)(iii) agreed basis
	Other		0.2	2.9	(9)(i), (iii) agreed basis
Rental return on hotel units	CGL	PTBH	9.2	9.0	(11) agreement
Purchase of Gallery Vouchers	BTG(S)	BTHR	1.7	1.3	(13) agreed basis
	Other		3.1	2.8	(13) agreed basis
Purchase of Spa Vouchers	BTS	LRH	1.3	0.9	(13) agreed basis
	Other		2.3	1.2	(13) agreed basis
Interest	BTHL	LBTH	2.0	-	(17) agreed basis

## Transactions between subsidiaries (eliminated from consolidated financial statements)

(Unit : Million Baht)

	PAYEE	PAYER	2005	2004	PRICING POLICY
Interest	BGL	LGL	15.5	6.7	(1) agreement
	BTD	LGL	1.8	1.0	(1) agreement
	LBTL	LRH	-	5.9	(1) agreement
	LGL	LRH	27.5	12.7	(1) agreement
	LHC	CGL	4.8	6.3	(1) agreement
	LHC	LRH	4.7	5.8	(1) agreement
	LHC	LSC	-	1.8	(1) agreement
	LRH	LSC	1.3	0.7	(1) agreement
	LRH	TWPL	39.8	-	(1) agreement
	LRH	TWRH	10.0	-	(1) agreement
	MCP	TWRH	1.1	0.5	(1) agreement
	PSD	TWRH	3.6	-	(1) agreement
	TWDC	PSD	2.7	-	(1) agreement
	TWRH	LBTL	3.2	2.1	(1) agreement
	TWRH	LRH	3.9	0.6	(1) agreement
	TWRH	TWPL	22.5	-	(1) agreement
	Other		2.1	0.9	(1) agreements
Reimbursement of costs	BGL	LHC	2.4	3.1	(2) agreed basis
	BGL	LRH	3.3	2.3	(2) agreed basis
	BGL	LSC	1.5	0.8	(2) agreed basis
	BGL	TWDC	1.5	-	(2) agreed basis
	LBC	BGL	1.1	-	(2) agreed basis
	LBTL	LGL	3.5	3.1	(2) agreed basis
	LBTL	LRH	1.6	1.2	(2) agreed basis
	LBTL	LSC	1.2	0.3	(2) agreed basis
	LGL	LBTL	52.2	1.0	(2) agreed basis
	LGL	LHC	1.5	32.6	(2) agreed basis

(Unit : Million Baht)

	PAYEE	PAYER	2005	2004	PRICING POLICY
Reimbursement of costs	LGL	TWDC	4.7	17.4	(2) agreed basis
	LGL	TWPL	0.3	-	(2) agreed basis
	LHC	AVCI	1.4	-	(2) agreed basis
	LRH	BGL	1.4	-	(2) agreed basis
	LRH	LBTL	2.1	1.6	(2) agreed basis
	LRH	LGL	1.6	1.2	(2) agreed basis
	LRH	LHC	2.2	1.6	(2) agreed basis
	LRH	LSC	6.2	8.0	(2) agreed basis
	LRH	TWPL	10.3	2.3	(2) agreed basis
	LSC	LHC	-	3.3	(2) agreed basis
	TWDC	BTDC	-	2.9	(2) agreed basis
	TWDC	LGL	3.8	8.8	(2) agreed basis
	TWPL	LBTL	2.7	2.5	(2) agreed basis
	TWPL	LHC	3.5	3.0	(2) agreed basis
	TWPL	LRH	2.7	3.0	(2) agreed basis
	Other		10.7	7.5	(2) agreed basis
Inter resort charges	BGL	LBC	2.1	3.1	(3) agreed basis
	BGL	LBTL	3.2	6.1	(3) agreed basis
	BGL	LRH	1.9	4.1	(3) agreed basis
	BTG (T)	BGL	1.2	2.1	(3) agreed basis
	BTG (T)	LBC	0.9	1.7	(3) agreed basis
	BTG (T)	LBTL	6.4	12.1	(3) agreed basis
	BTG (T)	LGL	4.9	6.3	(3) agreed basis
	BTG (T)	TWPL	3.0	3.4	(3) agreed basis
	LBC	BGL	1.5	1.8	(3) agreed basis
	LBC	LBTL	0.8	1.2	(3) agreed basis
	LBC	LRH	0.8	1.4	(3) agreed basis
	LBTL	BGL	5.1	4.3	(3) agreed basis
	LBTL	LBC	0.9	1.7	(3) agreed basis
	LBTL	LRH	1.6	2.7	(3) agreed basis
	LGL	BGL	4.9	7.5	(3) agreed basis
	LGL	LBC	3.0	4.3	(3) agreed basis
	LGL	LBTL	6.5	8.7	(3) agreed basis
	LGL	LRH	2.6	4.0	(3) agreed basis
	LRH	BGL	3.5	3.7	(3) agreed basis
	LRH	LBC	1.9	3.5	(3) agreed basis
	LRH	LBTL	1.7	3.2	(3) agreed basis
	Other		0.3	0.9	(3) agreed basis
Credit card commission	Other		0.7	1.1	(4) agreed basis
Resort service charges	LSC	BGL	37.2	39.2	(6) agreed basis
	LSC	LBC	22.3	24.8	(6) agreed basis
	LSC	LBTL	30.7	30.0	(6) agreed basis
	LSC	LGL	6.8	5.3	(6) agreed basis
	LSC	LHC	1.8	1.7	(6) agreed basis
	LSC	LRH	25.0	26.7	(6) agreed basis
	Other		1.0	0.7	(6) agreed basis
Management fees	LRH	BGL	4.8	3.7	(7) agreement
	LRH	LBTL	33.1	12.9	(7) agreement
	Other		-	0.1	(7) agreement

(Unit : Million Baht)

	PAYEE	PAYER	2005	2004	PRICING POLICY
Rent and service	BTD	BGL	3.5	1.5	(10)(x) agreement
	BTD	LBTL	6.8	2.8	(10)(x) agreement
	BTD	LGL	2.0	1.6	(10)(vi),(xi) agreement
	LBC	BTG(T)	1.4	1.4	(10)(xiii) agreement
	LBTL	BTG(T)	0.9	1.7	(10)(i) agreement
	LGL	BGL	-	7.3	(10)(v) agreement
	LGL	LBTL	4.8	11.6	(10)(i), (v) agreement
	LGL	LRH	0.3	1.2	(10)(viii), (x) agreement
	LRH	LHC	4.0	2.8	(10)(iii) agreement
	LRH	LGL	1.3	0.6	(10)(iii) agreement
	LSC	BGL	0.6	1.3	(10)(vii) agreement
	L1	LBC	2.6	0.8	(10)(x),(iv) agreement
	L3	LBTL	1.7	3.5	(10)(ix),(x) agreement
	PKRD	LRH	1.0	1.3	(10)(vi),(x) agreement
	TWPL	LHC	2.6	2.6	(10)(ii) agreement
	TWPL	LRH	6.3	6.0	(10)(ii) agreement
	TWT	TWPL	5.0	5.0	(10)(xii) agreement
	TWT <sub>2</sub>	TWPL	2.6	2.6	(10)(xv) agreement
	Other		8.6	5.4	(10) agreements
Guarantee fee	TWT	TWPL	2.9	-	(16) agreed basis
Purchase of goods	BTG(S)	BTG(T)	4.6	2.1	(9)(ii) agreed basis
	BTG(T)	BTG(S)	18.6	22.2	(9)(ii) agreed basis
	BTG(T)	LBTL	6.1	6.5	(9)(i), (iii) agreed basis
	BTG(T)	TWPL	3.8	3.6	(9)(i), (iii) agreed basis
	Other		1.7	1.7	(9)(i), (iii) agreed basis
Purchase of investment	MCP	LRH	-	15.3	At net book value
	TWPL	TWT	323.4	-	At net book value
	TWRH	LBTL	30.9	-	At net book value
Purchase of land	BT <sub>3</sub>	LHC	4.2	-	(14) Land Purchase Agreement
	BT <sub>3</sub>	TWPL	7.5	-	(14) Land Purchase Agreement
	BT <sub>4</sub>	TWPL	9.1	-	(14) Land Purchase Agreement
	BTD	LHC	-	9.7	(14) Land Purchase Agreement
	PKRD	TWPL	3.5	-	(14) Land Purchase Agreement
Purchase of Gallery Vouchers	BTG(T)	LRH	1.8	1.4	(13) agreed basis
	Other		2.6	1.1	(13) agreed basis
Purchase of condominium units and townhomes	LGL	LHC	-	21.9	(15) agreement
Purchase of water	LGL	LSC	2.3	2.3	(12) agreed basis
Purchase of books	Other		0.5	1.9	At cost plus margin
Dividend income	LGL	BTD	-	25.0	
	LGL	BT <sub>2</sub>	-	5.0	
	LRH	LBC	3.3	13.3	
	LRH	LBTL	-	205.8	
	LRH	L <sub>3</sub>	-	8.5	
	LRH	LHC	-	210.0	
	TWRH	LBC	16.7	66.7	
	TWRH	LBTL	-	214.2	

LRH : Laguna Resorts &amp; Hotels Public Company Limited

**Subsidiaries**

BGL	:	Bangtao Grande Limited
BTD	:	Bangtao Development Limited
BTG(S)	:	Banyan Tree Gallery (Singapore) Pte Ltd.
BTG(T)	:	Banyan Tree Gallery (Thailand) Limited
BT <sub>3</sub>	:	Bangtao (3) Limited
BT <sub>4</sub>	:	Bangtao (4) Limited
CGL	:	Cheer Golden Limited
LBC	:	Laguna Beach Club Limited
LBTH	:	Lijiang Banyan Tree Hotel Co., Ltd.
LBTL	:	Laguna Banyan Tree Limited
LGL	:	Laguna Grande Limited
LHC	:	Laguna Holiday Club Limited
LSC	:	Laguna Service Company Limited
L <sub>1</sub>	:	Laguna (1) Limited
L <sub>3</sub>	:	Laguna (3) Limited
MCP	:	Mae Chan Property Company Limited
PKRD	:	Phuket Resort Development Limited
PSD	:	Pai Samart Development Company Limited
TWDC	:	Twin Waters Development Company Limited
TWPL	:	Thai Wah Plaza Limited*
TWRH	:	TWR - Holdings Limited
TWT	:	Thai Wah Tower Company Limited*
TWT <sub>2</sub>	:	Thai Wah Tower (2) Company Limited*

(\*Those companies' status has been changed from related companies in the prior year to subsidiaries since March 2005. Their transactions of 2004 and 2005 have been grouped in 'Transactions between subsidiaries' for comparison purposes).

**Related companies (related by way of common shareholders, directors and/or management)**

BTHL	:	Banyan Tree Holdings Pte Ltd.
BTHR	:	Banyan Tree Hotels & Resorts Pte Ltd.
BTR	:	Banyan Tree Resorts Ltd.
BTRS	:	Banyan Tree Resorts (Seychelles) Limited
BTRS(T)	:	Banyan Tree Resorts and Spas (Thailand) Company Limited (previously named 'Banyan Tree Spa Company Limited')
BTS	:	Banyan Tree Spas Pte Ltd.
Dusit	:	Dusit Hotels and Resorts Company Limited
MA	:	Maldives Angsana Pvt Ltd.
PTBH	:	PT. Bintan Hotels
TDC	:	Tapioca Development Corporation Limited
TWC	:	Thai Wah Public Company Limited
TWFP	:	Thai Wah Food Products Public Company Limited
VM	:	Vabbinvest Maldives Pvt Ltd.

**The nature, pricing and agreements relating to the above transactions are summarised as follows:**

- (1) Loans to subsidiaries and between group companies are unsecured and are denominated in Thai Baht. The loans carry interest at a rate equal to the lenders' borrowing costs per annum plus a margin of 1.1 percent. Prior to 1<sup>st</sup> July 2005 loans made by Laguna Holiday Club Limited to other subsidiaries, were charged at interest rate of 6 percent per annum. The loans are repayable on demand, however it is expected that those loans would not be called for repayment in the short-term. Therefore such loans are recorded as non-current assets/liabilities in the balance sheet.
- (2) Costs are often incurred in one company within the group which are reimbursed by the company to which the expense relates. Actual costs are reimbursed with no handling costs applied.
- (3) These charges relate to goods and services that are consumed by customers in one part of Laguna Phuket but are billed centrally to the customer at the hotel at which the customer is staying. Such charges relate to meals at restaurants, golf fees, treatments at spa and goods purchased at shops in the resort. On receiving the funds centrally from the customer, the hotel reimburses the company in which the goods and services are consumed. Actual receipts are paid and handling charges are not charged with the exception of credit card commission which is disclosed separately in (4) below. Such inter resort charges are also incurred at the Banyan Tree Bangkok primarily for treatments of spa and goods purchased in the shops.
- (4) As noted in (3) above these commissions relate to instances where monies are received in a different company in which the revenue was earned. As credit card commissions are deducted from the gross receipts of customers, this transaction passes on the cost to the company in which the revenue is recognised. The rates charged range from 2 percent to 4 percent of the revenue and are based on the actual commissions charged by the credit card companies.
- (5) These charges relate to commissions earned by LBC for its guests that it provides to the closely located Spa. This commission is paid by the Spa to incentivise LBC to market the Spa's facilities to its guests. The rates charged range from 5 percent to 10 percent of spa revenue based on the number of guests that LBC provides to the Spa each month.
- (6) Resort service charges to the hotel operations relate to revenue of Laguna Service Company Limited which provides centralised services to each operation in the group located at Laguna Phuket at the following rates:
 

- Utility charge	:	at the determined price and actual usage
- Laundry charge	:	at the price based on cost plus a certain margin
- Beach cleaning, transportation charges, computer training centre and staff buses	:	based on actual cost
- Marketing fee	:	at the rate of 1 percent of the hotel operations' prior year revenue
- (7) The employees of LRH provide architectural services and manage projects that are undertaken during the year. The contracted fee for project management is set at a rate of 5 percent of the actual or budgeted costs of the project and the contracted fee for architectural services at a rate of 6.5 percent of construction for the first Baht 10 million, 5.5 percent of construction cost between Baht 10 million and 30 million, 4.75 percent of construction cost between Baht 30 million and 50 million, 4.5 percent of construction cost between Baht 50 million and 100 million, 4.25 percent of construction cost between Baht 100 million and 200 million, 3.75 percent of construction cost between Baht 200 million and 500 million and 3.4 percent of construction cost above Baht 500 million.
- (8) The terms of the operating agreements are disclosed in note 24. The payment terms of the contracts are as follows:
  - (i) The management contract of the Banyan Tree Phuket pays a basic management fee of 2 percent of total revenue and an incentive fee of 7.5 percent of gross operating profit.

- (ii) This relates to a Technical Assistance Agreement to conduct the golf business. The terms of the agreement set a basic management fee of 3 percent of total revenue and an incentive fee of 10 percent of gross operating profit.
- (iii) The management contract of the Banyan Tree Bangkok pays a basic management fee of 3 percent of total revenue, an incentive fee of 10 percent of gross operating profit.
- (iv) The management contract of the Dusit Laguna Resort pays a basic management fee of 2 percent of total revenue and an incentive fee of 5 percent of gross operating profit. In addition the sharing of promotional campaigns and adverts incurred by the Dusit Thani corporate head office are reimbursed.
- (v) Pursuant to the management contract, expenses relating to the sharing of promotional campaigns and adverts, sales staff salaries, central reservations and international sales offices incurred by the Banyan Tree corporate head office shall be charged as follows:
  - Group marketing services shared on a group basis are based on 3 percent of the budgeted revenues of the hotels.
  - Reservation Service fees are 1 percent of room revenue plus USD 10 per reservation transaction.

All management fees are consistent with industry practice and the share of group marketing costs incurred by LBTL, LRH and TWPL are the reimbursement of costs benefiting each of the hotels. As a result these transactions are on normal commercial terms and conditions.

- (9) These transactions relate to:
  - (i) Sale of goods from BTG(T) to other subsidiaries and related companies whose operations are located in Thailand are priced at a 15 percent to 45 percent discount to the retail price.
  - (ii) Sale of goods from BTG(T) to BTG(S) are priced at cost plus a handling fee of 5 percent. In this instance BTG(T) acts as a purchasing agent on behalf of BTG(S) in order to centralise the purchasing function. This arrangement also applies for the sale of goods from BTG(S) to BTG(T).
  - (iii) Sale of guest supplies for the hotels from BTG(S) and BTG(T) to other related companies are priced at cost plus a certain margin.
- (10) These transactions relate to rent paid for premises and land and are on the following basis:
  - (i) Rental of hotel premises and service income is on the basis of 5 percent to 11.5 percent of sales revenue which is dependent on criteria such as the location, budgeted sales, term of the lease, size of area leased and type of operation.
  - (ii) Rental or rental and service income of office space with monthly rent varying from Baht 350 to Baht 556 per square metre which is dependent on criteria such as the location, term of the lease, and size of area leased.
  - (iii) Rental of space and service in Canal Village for LHC and the property sales office. The rates charged range from Baht 550 to Baht 830 per square metre per month.
  - (iv) For the year 2004, rental of land on which hotel operations are located are on basis of Baht 0.8 million per annum.
  - (v) For January - July 2004, rental of land on which hotel premises are located are on the basis of Baht 13.8 million per annum.
  - (vi) For January - July 2004, rental of land on which hotel operations are located are on the basis of Baht 1.5 million per annum.

- (vii) Up until 31<sup>st</sup> July 2004, the rental of marquee was rented on normal commercial terms. From 1<sup>st</sup> August 2004, no rental charges for the use of the marquee are being charged to the operations.
- (viii) For January - July 2004, rental of land on which the shopping village and staff dormitory are located are on the basis of Baht 0.5 million and Baht 1.3 million per annum.
- (ix) For January - July 2004, rental of land on which hotel premises are located are at the rate of Baht 4.7 million per annum.
- (x) Rental of land and lagoon on which hotel operations and Canal Village are located are at Baht 85,000 and 8,500 per rai per annum respectively, starting in August 2004.
- (xi) Rental of land on which Laguna Phuket Golf Club is located at Baht 8,500 per rai per annum, starting in August 2004.
- (xii) Rental of office building units is on the basis of Baht 5 million per annum.
- (xiii) Rental on hotel premises is on the basis of Baht 937 per square metre per month.
- (xiv) Rental and service fee for the fitness centre located at the Banyan Tree Spa Bangkok is at the rate of Baht 348 per square metre per month.
- (xv) Rental of land on which hotel premise is located is on the basis of Baht 2.6 million per annum.
- (11) This relates to a Management Agreement to manage the hotel units of CGL in the Angsana Resort & Spa on Bintan Island, Indonesia under which CGL receives a return of 15 percent per annum on the investment of the leasehold rights.
- (12) LSC purchases water from LGL, the Company that owns the lagoons from which the water is sourced, at a rate of Baht 2 per cubic metre.
- (13) Purchase of Banyan Tree Spa and Banyan Tree Gallery vouchers for distribution to management to provide an additional benefit scheme. The vouchers will be issued yearly to qualifying executives and will be valid only within the year of issue.
- (14) The sale and purchase of land in Phuket was made among 100 percent owned subsidiaries and was set at a level based on the official Land Department valuation.
- (15) This transaction relates to the purchase of condominium units by LHC for use as inventory in the time-share business and is based on the market price.
- (16) Guarantee fee was charged on 1 percent of net book value of TWT's total assets whereby TWPL has placed these assets as collateral for its bank loans.
- (17) A loan has been provided by BTHL to LBTH to fund the construction of the Banyan Tree Lijiang amounting to US\$ 4.4 million. The term of the loan is for two years from the date of drawdown and interest is charged at a rate of 6 percent.

The Company has contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of its subsidiaries as follows:-

(Unit : Million Baht)

	31 <sup>st</sup> DECEMBER 2005	31 <sup>st</sup> DECEMBER 2004
Long-term loan facilities	780.0	260.0
Short-term loan facilities	192.0	140.0
Clean bill facilities	63.0	63.0
Overdrafts and bank guarantee facilities	131.7	132.2
Forward exchange contract	82.0	-

Subsidiaries have contingent liabilities in respect of letters of guarantee issued to banks to guarantee facilities of the Company and other subsidiaries as follows:-

(Unit : Million Baht)

	31 <sup>st</sup> DECEMBER 2005	31 <sup>st</sup> DECEMBER 2004
Long-term loan facilities	2,820.0	1,500.0
Short-term loan facilities	170.0	170.0
Overdrafts and bank guarantee facilities	10.0	10.0
Forward exchange contract	107.5	107.5

The significant outstanding balances owing from/to its related companies have been separately shown in the balance sheets as follows:-

#### Amounts due from related companies

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>Subsidiaries</b>				
Laguna Grande Limited	-	-	359,841	339,401
Laguna Service Company Limited	-	-	928,521	1,486,752
Bangtao Grande Limited	-	-	2,950,072	744,059
Laguna Banyan Tree Limited	-	-	7,307,235	3,568,934
Laguna Beach Club Limited	-	-	653,876	1,226,047
TWR-Holdings Limited	-	-	3,116,734	-
Thai Wah Tower (2) Company Limited *	-	-	5,276,655	-
Others	-	-	940,828	717,253
	-	-	21,533,762	8,082,446
<b>Related companies</b>				
Banyan Tree Resorts and Spas (Thailand) Company Limited	2,965,361	1,252,518	-	-
Banyan Tree Hotels & Resorts Pte Ltd.	1,765,558	1,611,804	1,232,187	885,477
Banyan Tree Holdings Pte Ltd.	38,636	393,777	-	393,777
Vabbinvest Maldives Pvt Ltd.	1,497,773	2,598,408	-	-
Thai Wah Plaza Limited*	-	1,984,516	-	258,287
Banyan Tree Resorts (Seychelles) Ltd.	3,798,095	5,414,736	391,824	184,673
Maldives Angsana Pvt Ltd.	431,087	1,065,255	-	-
PT Bintan Hotels - Angsana Bintan	5,185,203	4,483,993	-	-
PT Bintan Hotels - Banyan Tree Bintan	3,649,687	3,574,036	-	-
Banyan Tree Spa Shanghai	-	2,399,878	-	-
Banyan Tree Resorts Ltd.	391,824	30,579	-	-
Banyan Tree Resorts (Australia) Pty Ltd.	2,968,573	1,127,446	-	-
Others	1,772,537	163,873	5,290	64,478
	24,464,334	26,100,819	1,629,301	1,786,692
	24,464,334	26,100,819	23,163,063	9,869,138

## Long-term loans to subsidiaries

The movements in long-term loans to subsidiaries during the year are as follows:-

(Unit : Baht)

	THE COMPANY ONLY			
	31 <sup>st</sup> DECEMBER 2004	ADDITION	REPAYMENT	31 <sup>st</sup> DECEMBER 2005
Banyan Tree Gallery (Singapore) Pte Ltd.	-	33,554,600	(33,554,600)	-
Laguna (3) Limited	3,500,000	-	(2,000,000)	1,500,000
Laguna Service Company Limited	35,000,000	200,000	(10,200,000)	25,000,000
Thai Wah Plaza Limited*	-	1,111,139,518	(1,111,139,518)	-
TWR-Holdings Limited	-	772,000,000	(194,000,000)	578,000,000
	38,500,000	1,916,894,118	(1,350,894,118)	604,500,000

## Amounts due to related companies

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>Subsidiaries</b>				
Laguna Service Company Limited	-	-	4,063,382	5,532,884
Laguna Grande Limited	-	-	4,202,843	1,915,905
Bangtao Grande Limited	-	-	1,451,996	1,810,285
Laguna Banyan Tree Limited	-	-	882,725	753,791
Thai Wah Plaza Limited*	-	-	1,975,702	-
Others	-	-	1,086,498	1,288,837
	-	-	13,663,146	11,301,702
<b>Related companies</b>				
Banyan Tree Resorts and Spas (Thailand) Company Limited	10,474,800	16,122,369	1,823,676	2,407,464
Banyan Tree Properties Pte Ltd.**	750,650	74,791	-	-
Banyan Tree Hotels & Resorts Pte Ltd.	40,843,339	29,477,545	48,707	6,021
Angsana City Club Taichung	107,393	516,836	-	-
Banyan Tree Holdings Pte Ltd.	3,454,965	-	-	-
Banyan Tree Spa Shanghai	3,645,694	-	-	-
Thai Wah Food Products Public Company Limited	3,672,595	3,420,383	-	-
Others	451,892	1,922,317	-	517,777
	63,401,328	51,534,241	1,872,383	2,931,262
	63,401,328	51,534,241	15,535,529	14,232,964

(\*Thai Wah Plaza Limited and Thai Wah Tower (2) Company Limited's status has changed from being related companies to subsidiary companies since March 2005).

(\*\*Previously named 'Wah Chang Holdings Ltd.')

## Long-term loans from subsidiaries

The movements in long-term loans from subsidiaries during the year are as follows:-

(Unit : Baht)

	THE COMPANY ONLY			
	31 <sup>st</sup> DECEMBER 2004	ADDITION	REPAYMENT	31 <sup>st</sup> DECEMBER 2005
Laguna Grande Limited	801,050,000	210,200,000	(189,000,000)	822,250,000
Laguna Holiday Club Limited	54,500,000	98,500,000	(87,500,000)	65,500,000
Wenco-Thai Limited	3,000,000	-	-	3,000,000
TWR-Holdings Limited	79,000,000	623,600,000	(702,600,000)	-
	937,550,000	932,300,000	(979,100,000)	890,750,000

## Long-term loans from related companies

The movements in long-term loans from related companies during the year are as follows:-

(Unit : Baht)

	CONSOLIDATED			
	31 <sup>st</sup> DECEMBER 2004	ADDITION	REPAYMENT	31 <sup>st</sup> DECEMBER 2005
Banyan Tree Holdings Pte Ltd.	-	180,252,794	-	180,252,794

As at 31<sup>st</sup> December 2005, accrued management, incentive and marketing fees payable to Dusit Hotels and Resorts Company Limited of approximately Baht 4.3 million (2004: Baht 3.6 million) have been included in 'Other current liabilities'.

## 6. INVENTORIES - NET

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Food and beverage	29,553,046	20,847,302	4,045,943	3,996,640
Finished goods and supplies	124,975,586	114,281,946	13,381,742	7,877,606
	154,528,632	135,129,248	17,427,685	11,874,246
Less: Allowance for obsolete inventories	(9,918,129)	(7,498,690)	-	-
<b>Inventories - net</b>	<b>144,610,503</b>	<b>127,630,558</b>	<b>17,427,685</b>	<b>11,874,246</b>

## 7. PROPERTY DEVELOPMENT COST - NET

(Unit : Baht)

	CONSOLIDATED	
	2005	2004
Property for sale under time-share membership	12,496,438	55,277,286
Completed buildings	47,162,038	2,080,108
Land	5,677,591	1,305,306
Property under construction	244,600,638	174,119,474
	309,936,705	232,782,174
Less: Allowance for diminution in market value of property under construction	(91,417,649)	(91,417,649)
<b>Property development cost - net</b>	<b>218,519,056</b>	<b>141,364,525</b>



## 8. OTHER CURRENT ASSETS

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Value added tax	31,089,526	17,450,596	5,949,696	3,789,132
Prepaid expenses and withholding tax	29,718,759	16,039,849	4,806,964	6,497,853
Advance to suppliers and staff	143,273,669	24,475,950	843,696	1,105,702
Loan to subsidiaries shareholders	2,550,000	-	-	-
Forward exchange contract	-	2,365,972	2,150,442	1,499,365
Interest receivable	736,694	291,076	-	-
Others	3,846,617	2,369,503	151,311	15,440
	<b>211,215,265</b>	<b>62,992,946</b>	<b>13,902,109</b>	<b>12,907,492</b>

## 9. LONG-TERM TRADE ACCOUNTS RECEIVABLE

Long-term trade accounts receivable consists of:

- 9.1** Secured financing provided to customers of property sales which are mainly denominated in United States Dollars and bear interest at a rate of 5 percent per annum over the Singapore Inter Bank Offered Rate (SIBOR). The loan periods vary from 5 to 15 years.
- 9.2** Installments receivable from property sales which bear interest at a rate of 9 percent, 9.75 percent and 12 percent per annum and installments are repaid over a period of 3 to 5 years.

Long-term trade accounts receivable are repayable as follows:

(Unit : Baht)

	CONSOLIDATED - 2005		
	LOAN RECEIVABLE	INSTALLMENT RECEIVABLE	TOTAL
Within one year (Note 4)	9,688,466	16,293,853	25,982,319
Between 2 - 4 years	16,477,336	18,754,353	35,231,689
Between 5 years and after	-	-	-
Long-term trade accounts receivable	16,477,336	18,754,353	35,231,689
Total (Note 4)	26,165,802	35,048,206	61,214,008

(Unit : Baht)

	CONSOLIDATED - 2004		
	LOAN RECEIVABLE	INSTALLMENT RECEIVABLE	TOTAL
Within one year (Note 4)	7,944,826	18,514,944	26,459,770
Between 2 - 4 years	13,860,531	16,073,305	29,933,836
Between 5 years and after	9,091,617	601,983	9,693,600
Long-term trade accounts receivable	22,952,148	16,675,288	39,627,436
Total (Note 4)	30,896,974	35,190,232	66,087,206

## 10. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER THE EQUITY METHOD

	PAID-UP SHARE CAPITAL		PERCENTAGE OF HOLDING		THE COMPANY ONLY INVESTMENT AT COST METHOD		INVESTMENT AT EQUITY METHOD	
	2005	2004	2005	2004	2005	2004	2005	2004
	MILLION BAHT	MILLION BAHT	%	%	MILLION BAHT	MILLION BAHT	BAHT	BAHT
TWR-Holdings Limited	1,250.0	1,250.0	100	100	1,250.0	1,250.0	1,172,899,890	1,194,249,866
<b>Subsidiaries held through TWR-Holdings Limited</b>								
Pai Samart Development Company Limited	28.4	28.4	100	100	-	-	(39,039,444)	(39,812,650)
Mae Chan Property Company Limited	232.3	232.3	100	100	-	-	(357,379,315)	(356,966,652)
Phuket Resort Development Limited	41.4	41.4	100	100	-	-	191,866,074	205,530,452
Laguna Banyan Tree Limited*	500.0	500.0	100	100	835.1	835.1	546,684,653	508,789,018
PCD Limited	-	0.1	-	100	-	-	-	(11,334,802)
Laguna Beach Club Limited **	200.0	200.0	60	60	85.0	85.0	387,245,329	386,702,343
Laguna (1) Limited	15.0	15.0	60	60	-	-	107,863,276	106,642,659
PT AVC Indonesia	USD 0.7 million	USD 0.7 million	100	100	-	-	(2,181,846)	(3,111,194)
Talang Development Company Limited	251.0	251.0	50	50	-	-	3,230,054	3,217,933
Lijiang Banyan Tree Hotel Co.,Ltd.	USD 10.9 million	USD 3.52 million	70	70	-	-	(1,000,619)	(5,229,289)
Twin Waters Development Company Limited	214.4	214.4	100	100	-	-	290,439,453	288,374,289
Thai Wah Plaza Limited	1,500.0	-	100	-	-	-	(118,526,274)	-
Thai Wah Tower Company Limited	455.0	-	100	-	-	-	(2,799,642)	-
Thai Wah Tower (2) Company Limited	21.0	-	100	-	-	-	1,540,318	-
Laguna Excursions Limited	5.0	-	49	-	-	-	(35,060)	-
Laguna Grande Limited	1,000.0	1,000.0	100	100	914.4	914.4	2,493,014,281	2,471,933,338
<b>Subsidiaries held through Laguna Grande Limited</b>								
Bangtao (1) Limited	20.9	20.9	100	100	-	-	71,385,455	70,808,136
Bangtao (2) Limited	19.1	19.1	100	100	-	-	99,908,386	99,648,389
Bangtao (3) Limited	7.8	7.8	100	100	-	-	45,717,784	91,977,152
Bangtao (4) Limited	14.6	14.6	100	100	-	-	152,032,711	185,399,289
Bangtao Development Limited	80.0	80.0	100	100	-	-	1,097,892,899	1,067,355,344
Laguna Central Limited	1.0	1.0	100	100	-	-	(110,962)	(90,213)
Bangtao Grande Limited	1,546.0	1,546.0	100	100	-	-	699,801,587	690,001,395
<b>Other subsidiaries</b>								
Laguna Service Company Limited†	90.5	90.5	86.5	86.5	22.4	22.4	29,747,647	27,926,536
Banyan Tree Gallery (Thailand) Limited	7.8	7.8	51	51	4.0	4.0	53,178,704	49,717,344
Wenco-Thai Limited ***	1.0	1.0	100	51	0.5	0.5	1,690,761	1,658,201
Laguna Holiday Club Limited	330.0	330.0	100	100	330.0	330.0	614,813,713	512,949,295
Laguna Sports Limited	-	0.5	-	100	-	0.5	-	(33,801)

	THE COMPANY ONLY							
	PAID-UP SHARE CAPITAL		PERCENTAGE OF HOLDING		INVESTMENT AT COST METHOD		INVESTMENT AT EQUITY METHOD	
	2005	2004	2005	2004	2005	2004	2005	2004
	MILLION BAHT	MILLION BAHT	%	%	MILLION BAHT	MILLION BAHT	BAHT	BAHT
Banyan Tree Gallery (Singapore) Pte Ltd.	SGD 0.43 million	SGD 0.43 million	51	51	4.0	4.0	28,799,877	23,253,944
Laguna (3) Limited	0.1	0.1	100	100	46.4	46.4	144,388,736	143,037,556
Cheer Golden Limited	-	-	100	100	-	-	(8,425,454)	(9,134,830)
<b>Total investments in subsidiaries</b>					<b>3,491.8</b>	<b>3,492.3</b>	<b>7,704,642,972</b>	<b>7,703,459,048</b>

(\*) Laguna Banyan Tree Limited is held 49 percent by the Company and 51 percent through TWR-Holdings Limited)

(\*\*) Laguna Beach Club Limited is held 10 percent by the Company and 50 percent through TWR-Holdings Limited)

(\*\*\*) Wenco-Thai Limited is held 51 percent by the Company and 49 percent through TWR-Holdings Limited)

(\*) Laguna Service Company Limited is held by the Company and 3 subsidiaries)

The Company has a 60 percent shareholding in Laguna Beach Club Limited. However, the Company has recognised its share of the profits of this subsidiary at 50 percent in accordance with the profit sharing percentage in the Articles of Association.

The Company has a 49 percent shareholding in Laguna Excursions Limited. However, the Company has recognised its share of the profits of this subsidiary at 100 percent in accordance with the profit sharing percentage in the Articles of Association.

On 28<sup>th</sup> January 2005, Laguna Banyan Tree Limited, a subsidiary, injected additional paid-up share capital to Lijiang Banyan Tree Hotel Co., Ltd. amounting to US dollars 3.2 million, which was in proportion to its 70 percent interest in that company.

On 25<sup>th</sup> February 2005, PCD Limited, a subsidiary, increased its paid-up share capital by Baht 7.4 million through the issue of 74,000 ordinary shares at a par value of Baht 100. These shares were sold to TWR-Holdings Limited, a subsidiary, at par value.

On 25<sup>th</sup> February 2005, Laguna Sports Limited, a subsidiary, increased its paid-up share capital by Baht 28.5 million through the issue of 285,000 ordinary shares at a par value of Baht 100. These shares were sold to the Company at par value.

As at 8<sup>th</sup> March 2005, TWR-Holdings Limited purchased a 100 percent interest in Thai Wah Plaza Limited and its subsidiaries, Thai Wah Tower Company Limited and Thai Wah Tower (2) Company Limited for a total consideration of Baht 41.5 million. The assets of Thai Wah Plaza Limited and its subsidiary companies predominantly comprise of the Banyan Tree Bangkok and office buildings in Thai Wah Tower I and Thai Wah Tower II, all of which are located on Sathorn Road in Bangkok. The fair value of the land and property and plant and equipment acquired as a result of this purchase amounted to Baht 2,185.8 million. The excess of the cost of acquisition over the fair value of the identifiable net assets is recorded as "Goodwill" which amounted to Baht 35.4 million at the date of acquisition. This is presented as "Goodwill" in the balance sheet and is amortised as an expense on a straight-line basis over 20 years.

The following table summarises the fair value of assets acquired and liabilities assumed at the date of acquisition, and the cash flows on acquisition of Thai Wah Plaza Limited and its subsidiaries.

	(Unit : Baht)
Total assets	2,335,377,076
Total liabilities	(2,329,308,913)
Fair value of net tangible assets acquired	6,068,163
Goodwill	35,389,365
Total consideration (cost)	41,457,528
Less: Cash and cash equivalents of the subsidiaries	(81,467,021)
Net cash inflow from acquisition of the subsidiaries	<b>40,009,493</b>

On 17<sup>th</sup> June 2005, Laguna Banyan Tree Limited, a subsidiary, injected additional paid-up share capital to Lijiang Banyan Tree Hotels Co., Ltd. amounting to US dollars 1.9 million, which was in proportion to its 70 percent interest in that company.

A resolution of the extraordinary meeting of the shareholders of Laguna Sports Limited and PCD Limited was held on 31<sup>st</sup> May 2005 which authorised their dissolution, and both subsidiary companies registered their dissolution with the Ministry of Commerce on 6<sup>th</sup> July 2005.

On 25<sup>th</sup> November 2005, the Company has invested in the 24,500 ordinary shares of a newly established company, Laguna Excursions Limited, with a par value of Baht 100 each, at a price of Baht 2,450,000.

As at 31<sup>st</sup> December 2005 and 2004, the 2,450,000 ordinary shares of Laguna Banyan Tree Limited have been pledged with a bank to secure a long-term loan of the Company.

As at 31<sup>st</sup> December 2005, the 10,188,203 ordinary shares of Thai Wah Plaza Limited have been pledged with a bank to secure a long-term loan of the Company.

Changes in Goodwill (Negative goodwill) on consolidation balances during the year can be summarised as follows: -

	(Unit : Baht)		
	GOODWILL	NEGATIVE GOODWILL	TOTAL
<b>Cost:</b>			
As at 1 <sup>st</sup> January 2004	527,758,075	(531,923,520)	(4,165,445)
As at 31 <sup>st</sup> December 2004	527,758,075	(531,923,520)	(4,165,445)
Increase from new investment in a subsidiary company	35,389,365	-	35,389,365
As at 31 <sup>st</sup> December 2005	563,147,440	(531,923,520)	31,223,920
<b>Accumulated amortisation:</b>			
As at 1 <sup>st</sup> January 2004	(64,873,970)	59,841,396	(5,032,574)
Charge for the year	(31,754,419)	26,596,176	(5,158,243)
As at 31 <sup>st</sup> December 2004	(96,628,389)	86,437,572	(10,190,817)
Charge for the year	(26,812,490)	26,596,176	(216,314)
As at 31 <sup>st</sup> December 2005	(123,440,879)	113,033,748	(10,407,131)
<b>Net book value:</b>			
As at 31 <sup>st</sup> December 2004	431,129,686	(445,485,948)	(14,356,262)
As at 31 <sup>st</sup> December 2005	439,706,561	(418,889,772)	20,816,789

Amortisation of goodwill is included in 'administrative expenses' in the profit and loss account. Amortisation of negative goodwill is included in 'other income' in the profit and loss account.

## 11. PROVISION FOR LOSS ON INVESTMENT IN ASSOCIATED COMPANY

(Unit : Baht)

	CONSOLIDATED							
	PAID-UP SHARE CAPITAL		PERCENTAGE OF HOLDING		INVESTMENT AT COST METHOD		INVESTMENT AT EQUITY METHOD	
	2005	2004	2005	2004	2005	2004	2005	2004
	MILLION BAHT	MILLION BAHT	%	%				
Ownrep Project Services Pte Ltd.	34.5	34.5	50	50	18,109,295	18,109,295	-	-

Ownrep Project Services Pte Ltd. was incorporated in Singapore and engages in project consulting service. It has now temporarily ceased its operations.

## 12. OTHER LONG-TERM INVESTMENTS

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>Investment in available-for-sale securities</b>				
Thai Wah Public Company Limited	29,499,600	29,499,600	23,850,000	23,850,000
Addition	21,330,194	-	-	-
Add: Unrealised (loss) gain on investment	(28,856,095)	393,328	(10,176,000)	318,000
Investment, at market price	21,973,699	29,892,928	13,674,000	24,168,000
<b>Investments in other companies</b>				
Hua Hin Beach Resorts Company Limited	1,000,000	1,000,000	1,000,000	1,000,000
Less: Allowance for diminution in value	(999,999)	-	(999,999)	-
	1	1,000,000	1	1,000,000
TRL Investments Ltd.	188,424,686	188,424,686	-	-
Tropical Resorts Limited	1,000	1,000	-	-
Total investments in other companies	188,425,687	189,425,686	1	1,000,000
<b>Total other long-term investments</b>	<b>210,399,386</b>	<b>219,318,614</b>	<b>13,674,001</b>	<b>25,168,000</b>

At the end of 2003 the legal form of Tropical Resorts Limited (TRL) was restructured with the various changes made outlined below:

- TRL Investments Ltd. (TRLI) was established with the same shareholders and same shareholding interests as TRL, with the shareholders of TRL purchasing TRLI shares in proportion to their respective shareholdings in TRL.
- The valuable asset of TRL, comprising its shareholding in a company, was transferred to TRLI significantly below their market value.

As a result of the restructuring of the legal form of TRL as described above, TWR-Holdings Limited (a subsidiary which holds those two investments) reallocated the values of its investments in TRL and TRLI in accordance with the values of the assets belonging to each company. At present the net worth of the combined investments in TRLI and TRL is greater than their original costs. Therefore, the provision for impairment in value of Baht 40.6 million which was previously recorded as an expense in 2001 was reversed and recognised as income in the year 2004.

## 13. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	CONSOLIDATED										
	ASSETS CARRIED AT COST										TOTAL
	LAND AND LAND IMPROVEMENT	BUILDING	FURNITURE, FIXTURES AND EQUIPMENT	OPERATING AND OFFICE EQUIPMENT	TOTAL HOTEL ASSETS	BUILDING AND STAFF DORMITORY	GOLF COURSE	EXTERNAL WORK	FURNITURE, FIXTURES AND EQUIPMENT	MOTOR VEHICLES	CONSTRUCTION IN PROGRESS
<b>At cost</b>											
As at 1 <sup>st</sup> January 2005	1,852,018,317	2,119,004,020	1,904,789,987	215,598,191	6,091,410,515	147,567,457	283,170,454	14,426,611	304,971,910	87,453,264	154,383,476
Addition from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Additions	323,462,070	1,920,687,428	977,401,539	15,129,634	3,236,680,671	1,579,793	-	110,000	18,728,485	2,033,000	775,697
Transfers in/out	-	-	-	-	-	-	-	-	-	-	-
Disposals and adjustments	(2,439,768)	(3,871,372)	(152,041,392)	(381,246,629)	(196,477,161)	(345,951)	-	(150,000)	(1,063,171)	(1,128,554)	(190,833,240)
<b>As at 31<sup>st</sup> December 2005</b>	<b>2,173,040,619</b>	<b>4,138,573,141</b>	<b>2,838,495,456</b>	<b>210,350,026</b>	<b>9,380,409,242</b>	<b>163,361,853</b>	<b>283,170,454</b>	<b>14,386,611</b>	<b>324,823,801</b>	<b>92,431,954</b>	<b>900,302,757</b>
<b>Accumulated depreciation</b>											
As at 1 <sup>st</sup> January 2005	(23,658,888)	(474,095,436)	(1,588,096,555)	(145,616,928)	(2,231,467,807)	(377,581,437)	(282,809,381)	(5,649,952)	(217,078,885)	(57,051,266)	-
Addition from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Depreciation charged for the year	-	(419,460,808)	(629,598,721)	(10,909,518)	(1,059,969,047)	-	-	(785,887)	(30,610,796)	(9,057,297)	-
Disposals and adjustments	(15,820)	(73,038,375)	(208,760,591)	(181,841,192)	(300,003,158)	(473,833)	(84,938)	(785,887)	(1,412,582)	84,061	-
<b>As at 31<sup>st</sup> December 2005</b>	<b>(23,658,888)</b>	<b>(966,598,799)</b>	<b>(2,296,771,376)</b>	<b>(1,37,287,448)</b>	<b>(3,424,316,511)</b>	<b>(42,465,634)</b>	<b>(282,894,339)</b>	<b>(6,435,839)</b>	<b>(246,277,099)</b>	<b>(65,981,242)</b>	<b>-</b>
<b>Net book value - At cost</b>											
As at 31 <sup>st</sup> December 2004	1,828,359,439	1,644,908,584	316,693,432	69,981,263	3,859,942,708	109,809,020	361,073	8,776,659	87,893,025	30,401,998	154,383,476
As at 31 <sup>st</sup> December 2005	2,149,381,731	3,191,924,342	541,724,080	73,062,578	5,956,092,731	120,896,219	276,115	7,950,772	78,546,702	26,450,712	900,302,757

(Unit : Baht)

CONSOLIDATED (CONTINUED)												
	ASSETS CARRIED AT REVISED AMOUNT											
	LAND AND LAND IMPROVEMENT	BUILDING	FURNITURE, FIXTURES AND EQUIPMENT	OPERATING AND OFFICE EQUIPMENT	TOTAL HOTEL ASSETS	BUILDING AND STAFF DORMITORY	GOLF COURSE	EXTERNAL WORK	FURNITURE, FIXTURES AND EQUIPMENT	MOTOR VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL
Revaluation portion												
As at 1 <sup>st</sup> January 2005	1,822,774,786	643,368,326	725,537,938	-	3,191,681,050	-	-	-	-	-	-	3,191,681,050
Transfers in/out	-	22,967,433	(73,524,500)	-	(50,564,737)	-	-	-	-	-	-	(50,564,737)
Disposals and adjustments	(39,418,468)	-	-	-	(39,418,468)	-	-	-	-	-	-	(39,418,468)
As at 31 <sup>st</sup> December 2005	1,783,356,318	666,335,739	652,005,788	-	3,101,697,845	-	-	-	-	-	-	3,101,697,845
Accumulated depreciation												
As at 1 <sup>st</sup> January 2005	-	(238,077,559)	(480,654,111)	-	(718,731,670)	-	-	-	-	-	-	(718,731,670)
Depreciation charged for the year	-	(33,582,765)	(25,108,924)	-	(38,691,689)	-	-	-	-	-	-	(38,691,689)
Transfers in/out	-	(2,157,352)	53,722,089	-	50,564,737	-	-	-	-	-	-	50,564,737
As at 31 <sup>st</sup> December 2005	-	(253,817,676)	(453,040,946)	-	(706,858,622)	-	-	-	-	-	-	(706,858,622)
Net book value												
- revaluation portion												
As at 31 <sup>st</sup> December 2004	1,822,774,786	405,290,769	244,883,827	-	2,472,949,380	-	-	-	-	-	-	2,472,949,380
As at 31 <sup>st</sup> December 2005	1,783,356,318	412,518,063	198,964,842	-	2,394,839,223	-	-	-	-	-	-	2,394,839,223
Less: provision for impairment in value (note 20)												
- Assets carried at cost	-	(17,682,278)	(25,860,263)	(1,457,459)	(45,000,000)	-	-	-	-	-	-	(45,000,000)
Assets, revaluation portion	-	(26,000,000)	(6,000,000)	-	(32,000,000)	-	-	-	-	-	-	(32,000,000)
As at 31 <sup>st</sup> December 2004	-	(43,682,278)	(31,860,263)	(1,457,459)	(77,000,000)	-	-	-	-	-	-	(77,000,000)
Reversal of provision for impairment	-	43,682,278	31,860,263	1,457,459	77,000,000	-	-	-	-	-	-	77,000,000
As at 31 <sup>st</sup> December 2005	-	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment - net												
As at 31 <sup>st</sup> December 2004	3,651,134,215	2,006,537,073	539,716,996	68,533,804	6,255,892,088	1,098,090,020	361,073	8,776,659	87,893,025	30,401,998	154,383,476	6,647,537,339
As at 31 <sup>st</sup> December 2005	3,692,738,049	3,604,442,405	740,688,922	73,062,578	8,350,931,954	120,896,219	276,115	7,950,772	78,546,702	26,450,712	900,302,757	9,485,355,331

for the years ended 31<sup>st</sup> December 2005 and 2004

(Unit : Baht)

The Company Only										(Unit : Bant)
Assets Carried At Cost										
	Land and Land Improvement	Building	Furniture, Fixtures and Equipment	Operating and Office Equipment	Total Hotel Assets	Building and Staff Dormitory	Furniture, Fixtures and Office Equipment	Motor Vehicles	Construction in Progress	Total
At cost										
As at 1 <sup>st</sup> January 2005	96,955,317	180,654,318	281,067,427	76,798,651	635,475,713	61,395,145	33,651,027	7,230,118	22,883,640	760,635,643
Additions	-	-	16,181,689	1,881,400	18,063,089	1,185,721	4,950,169	447,495	48,498,244	73,144,718
Transfers in/out	-	(30,683,683)	7,409,078	2,644,915	(21,229,690)	45,244,237	2,187,127	226,000	(26,427,674)	-
Disposals/adjustment	-	-	(24,644,919)	(4,382,201)	(29,027,120)	-	(43,647)	-	(389,036)	(29,459,803)
As at 31 <sup>st</sup> December 2005	96,955,317	149,970,635	280,013,275	76,342,765	603,281,992	107,825,103	40,744,676	7,903,613	44,565,174	804,320,558
Accumulated depreciation										
As at 1 <sup>st</sup> January 2005	(23,658,888)	(79,315,976)	(224,933,020)	(60,154,538)	(388,062,422)	(17,177,067)	(20,489,594)	(6,080,685)	-	(431,809,768)
Depreciation charged for the year	-	(3,608,400)	(18,471,021)	(4,741,449)	(26,820,870)	(3,605,838)	(4,737,835)	(432,522)	-	(35,597,065)
Transfers in/out	-	7,891,802	-	-	7,891,802	(7,891,802)	-	-	-	-
Disposals/adjustment	-	-	11,111,495	3,431,477	14,542,972	-	27,061	-	-	14,570,033
As at 31 <sup>st</sup> December 2005	(23,658,888)	(75,032,574)	(332,292,546)	(61,464,510)	(392,448,518)	(28,674,707)	(25,200,368)	(6,513,207)	-	(452,836,800)
Net book value - At cost										
As at 31 <sup>st</sup> December 2004	73,296,429	101,338,342	56,134,407	16,644,113	247,413,291	44,218,078	13,161,433	1,149,433	22,883,640	328,825,875
As at 31 <sup>st</sup> December 2005	73,296,429	74,938,061	477,202,729	14,878,255	210,833,474	79,150,396	15,544,308	1,390,406	44,565,174	351,483,758

(Unit : Baht)

THE COMPANY ONLY (CONTINUED)											(Unit : Bahiy)
ASSETS CARRIED AT COST											
	LAND AND LAND IMPROVEMENT	BUILDING	FURNITURE, FIXTURES AND EQUIPMENT	OPERATING AND OFFICE EQUIPMENT	TOTAL HOTEL ASSETS	BUILDING AND STAFF DORMITORY	FURNITURE, FIXTURES AND OFFICE EQUIPMENT	MOTOR VEHICLES	CONSTRUCTION IN PROGRESS	TOTAL	
Revaluation portion											
As at 1 <sup>st</sup> January 2005	230,893,965	356,929,400	169,480,087	-	757,303,452	-	-	-	-	757,303,452	
As at 31 <sup>st</sup> December 2005	230,893,965	356,929,400	169,480,087	-	757,303,452	-	-	-	-	757,303,452	
Accumulated depreciation											
As at 1 <sup>st</sup> January 2005	633,096	(168,764,298)	(140,132,528)	-	(308,263,730)	-	-	-	-	(308,263,730)	
Depreciation charged for the year	-	(5,376,146)	(4,804,298)	-	(10,180,444)	-	-	-	-	(10,180,444)	
As at 31 <sup>st</sup> December 2005	633,096	(174,140,444)	(144,936,826)	-	(318,444,174)	-	-	-	-	(318,444,174)	
Net book value											
- revaluation portion											
As at 31 <sup>st</sup> December 2004	231,527,061	188,165,102	29,347,559	-	449,039,722	-	-	-	-	449,039,722	
As at 31 <sup>st</sup> December 2005	231,527,061	182,788,956	24,543,261	-	438,859,278	-	-	-	-	438,859,278	
Less: provision for impairment in value (note 20)											
- Assets carried at cost	-	(9,798,567)	(9,232,090)	(969,343)	(20,000,000)	-	-	-	-	(20,000,000)	
- Assets, revaluation portion	-	(23,300,000)	100,000	-	(23,200,000)	-	-	-	-	(23,200,000)	
As at 31 <sup>st</sup> December 2004	-	(33,098,567)	(9,132,090)	(969,343)	(43,200,000)	-	-	-	-	(43,200,000)	
Reversal of provision for impairment	-	33,098,567	9,132,090	969,343	43,200,000	-	-	-	-	43,200,000	
As at 31 <sup>st</sup> December 2005	-	-	-	-	-	-	-	-	-	-	
Property, plant and equipment - net											
As at 31 <sup>st</sup> December 2004	304,823,490	256,404,877	76,349,876	15,674,770	653,253,013	44,218,078	13,161,433	1,149,433	22,883,640	734,665,597	
As at 31 <sup>st</sup> December 2005	304,823,490	257,727,017	72,263,990	14,878,255	649,692,752	79,150,396	15,544,308	1,390,406	44,565,174	790,343,036	

As at 31<sup>st</sup> December 2005, certain buildings and equipment of the Company and its subsidiaries have been fully depreciated but still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to Baht 794.3 million. (the Company only: Baht 244.9 million).

#### Property, plant and equipment

On 8<sup>th</sup> March 2005, the Company's subsidiary purchased a 100 percent interest in Thai Wah Plaza Limited and its subsidiary companies. The fair value of the land and property and plant and equipment acquired as a result of this purchase amounted to Baht 2,185.8 million.

The hotel properties and land were reappraised by an independent professional appraisal company in its report dated 1<sup>st</sup> November 2004. The revaluation was conducted using the 'Replacement Cost' basis for hotel properties and a "Fair Market Value" basis for land.

As at 31<sup>st</sup> December 2005, a land area of approximately 1,024 Rai (2004: 579 Rai), at the fair value of Baht 3,168 million (2004: Baht 1,764 million), and hotel buildings, fixtures, and equipment have been mortgaged to secure bank overdrafts, short-term loan and long-term loan facilities, and forward exchange contracts of the Company and its subsidiaries.

On 26<sup>th</sup> December 2004, Phuket experienced a Tsunami. The hotel businesses of the Company and its subsidiaries which include Dusit Laguna Resort, Sheraton Grande Laguna Phuket, Banyan Tree Phuket and Laguna Beach Resort were affected by this disaster, although the impact on the hotels was minimal when compared to other areas of Phuket. The extent of the damage was limited to restaurants close to the beach and furniture, fixtures and equipment of these restaurants, and less than 50 guest rooms. However, the Company and its subsidiaries are insured for property damage as a result of Acts of God, which includes a Tsunami. A provision for impairment of the fixed assets destroyed or damaged as a result of the Tsunami was recorded in the financial statements for the year 2004 amounting to Baht 45 million. Subsequently in 2005, the Company and its subsidiaries repaired and renovated guest rooms, restaurants, furniture, fixtures and equipment in order to continue its normal business operations and has written off the assets that no longer can be used. Therefore the provision for impairment included in the financial statements for the year 2004 has been reversed in the current year.

As a result of the Tsunami and the damage caused, this has adversely impacted the level of business activity of the hotel operations of the Company and its subsidiaries. Management considers that the impact has been limited to the short-term with the long range prospects being little affected. Moreover the Company and its subsidiaries are insured for business interruption which will provide a level of compensation for the reduction in business levels resulting from the damage caused by this event.

At present the Company together with the insurance company is in the process of determining the level of compensation resulting from this event.

#### Land awaiting development

Land awaiting development in Phuket, Chiang Rai and Mae Hong Sorn provinces was revalued on a "Fair Market Value" basis by an independent professional appraisal company in its report dated 1<sup>st</sup> November 2004.

As at 31<sup>st</sup> December 2005 and 2004, land awaiting development in Phuket province of approximately 45 Rai, at a fair value of Baht 164 million, has been mortgaged to secure bank overdrafts, short-term loan facilities and long-term loan facilities of the Company.



## 14. LEASEHOLD RIGHTS

(Unit : Baht)

	LAND	HOTEL UNITS	TOTAL
<b>Cost</b>			
As at 1 <sup>st</sup> January 2004	16,549,181	101,197,236	117,746,417
Addition	18,808,866	-	18,808,866
Exchange rate adjustment 2004	(18,283)	(912,886)	(931,169)
As at 31 <sup>st</sup> December 2004	35,339,764	100,284,350	135,624,114
Exchange rate adjustment 2005	2,969,154	4,504,847	7,474,001
<b>As at 31<sup>st</sup> December 2005</b>	<b>38,308,918</b>	<b>104,789,197</b>	<b>143,098,115</b>
<b>Accumulated amortisation</b>			
As at 1 <sup>st</sup> January 2004	-	-	-
Amortisation of 2004	589,000	10,379,000	10,968,000
As at 31 <sup>st</sup> December 2004	589,000	10,379,000	10,968,000
Amortisation of 2005	920,470	5,404,530	6,325,000
<b>As at 31<sup>st</sup> December 2005</b>	<b>1,509,470</b>	<b>15,783,530</b>	<b>17,293,000</b>
<b>Net</b>			
As at 31 <sup>st</sup> December 2004	34,750,764	89,905,350	124,656,114
<b>As at 31<sup>st</sup> December 2005</b>	<b>36,799,448</b>	<b>89,005,667</b>	<b>125,805,115</b>

Leasehold rights of land is amortised over the term of the lease of 40 years from January 2005 to December 2044.

Leasehold rights of hotel units is amortised over the term of the lease of 20 years from July 2002 to June 2022.

## 15. OTHER CURRENT LIABILITIES

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Accrued expenses	246,793,578	157,557,108	40,874,155	19,967,519
Advance receipts from customers	241,866,530	212,702,998	11,601,413	15,216,410
Other accounts payable	139,887,990	73,261,836	3,586,626	1,383,510
Service charge payable to hotel staff	27,131,055	37,419,551	5,636,698	8,486,773
Value added tax payable	40,692,782	38,600,195	5,191,909	4,348,986
Accrued rental to villa owners	16,741,290	35,008,445	-	-
Forward exchange contract	10,996,225	-	2,242,919	-
Unearned income	25,549,478	19,621,376	-	-
	749,658,928	574,171,509	69,133,720	49,403,198

## 16. LONG-TERM LOANS

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Secured	3,094,787,743	700,000,000	1,052,000,000	400,000,000
Long-term loans are repayable as follows:				
Within one year	607,929,000	300,000,000	280,000,000	200,000,000
Between one and two years	535,347,000	300,000,000	140,000,000	200,000,000
Between three and five years	1,505,345,000	100,000,000	632,000,000	-
Over five years	446,166,743	-	-	-
	2,486,858,743	400,000,000	772,000,000	200,000,000
	3,094,787,743	700,000,000	1,052,000,000	400,000,000

## Long-term loans consist of the following:

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
<b>The Company</b>				
(1) Baht loan from a bank, with a facility of Baht 800 million, at an interest rate of 5.25 percent per annum for the first two years and at MLR per annum for the remaining years.				
On 25 <sup>th</sup> November 2003, the fixed rate at 5.25 percent per annum was revised to 4.60 percent per annum with effect from December 2002. The MLR was also revised to be at a fixed rate at 3.75 percent per annum with effect from January 2004, repayable quarterly as from March 2002 as follows: Year 2002 - 2003 : Baht 25 million per quarter Year 2004 - 2006 : Baht 50 million per quarter	200,000,000	400,000,000	200,000,000	400,000,000
(2) Baht loan from a bank, with a facility of Baht 892 million repayable quarterly from July 2005 to April 2010, at an interest rate of MLR per annum	852,000,000	-	852,000,000	-
<b>Subsidiaries</b>				
(3) Baht loan from a bank, with a facility of Baht 450 million, repayable quarterly as from February 2003 to October 2007, at an interest rate as follows: November 2003 - March 2005: 4 percent per annum (revised on 6 <sup>th</sup> November 2003) April 2005 onward: 2 percent per annum (revised on 31 <sup>st</sup> March 2005)	200,000,000	290,000,000	-	-
(4) Baht loan from a bank, with a facility of Baht 200 million, at an interest rate of 4 percent per annum for the first three years and MLR less 1 percent per annum from October 2007 onwards, repayable quarterly from October 2005 to July 2009 (Except the outstanding promissory note of Baht 5 million, which is at an interest rate of 2 percent per annum since 31 <sup>st</sup> March 2005)	160,000,000	5,000,000	-	-
(5) Baht loan from a bank, with a facility of Baht 50 million, at an interest rate of 3.5 percent per annum repayable quarterly from June 2005 to March 2007 (Except the outstanding promissory note of Baht 5 million, which is at an interest rate of 2 percent per annum since 31 <sup>st</sup> March 2005)	31,250,000	5,000,000	-	-
(6) Baht loan from a bank, with a facility of Baht 260 million at an interest rate of MLR less 2 percent per annum or 3 month fixed deposit rate add 2 percent per annum which-ever is higher repayable quarterly from April 2006 to January 2010	260,000,000	-	-	-

MLR : Minimum Lending Rate

MMR : Money Market Rate

Long-term loans consist of the following:

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
(7) Baht loan from a bank, with a facility of Baht 600 million at an interest rate of MLR less 2 percent per annum or 3 month fixed deposit rate add 2 percent per annum whichever is higher repayable quarterly from September 2006 to June 2011	305,000,000	-	-	-
(8) Baht loan from a bank, with a facility of Baht 100 million at an interest rate of MLR less 1.5 percent per annum repayable quarterly from October 2006 to January 2009	65,000,000	-	-	-
(9) Baht loan from a bank, with a facility of Baht 180 million at an interest rate of MLR less 1.5 percent per annum or 3 month fixed deposit rate add 2 percent per annum whichever is higher repayable quarterly from April 2006 to January 2009	30,000,000	-	-	-
(10) Baht loan from a bank, with a facility of Baht 100 million at an interest rate of MLR less 1.5 percent per annum or 3 month fixed deposit rate add 2 percent per annum whichever is higher repayable quarterly from March 2007 to June 2009	2,000,000	-	-	-
(11) Baht loan from a bank, with a facility of Baht 1,004 million at an interest rate of MLR per annum repayable quarterly from December 2005 to December 2013	988,537,743	-	-	-
(12) Baht loan from a bank, with a facility of Baht 300 million at an interest rate of MLR less 1 percent per annum repayable quarterly from February 2007 to May 2011	1,000,000	-	-	-
<b>Total long-term loans</b>	<b>3,094,787,743</b>	<b>700,000,000</b>	<b>1,052,000,000</b>	<b>400,000,000</b>

MLR : Minimum Lending Rate

MMR : Money Market Rate

The loans are secured by land, land awaiting development and all hotel buildings of the Company and subsidiaries, as described in Note 13. The loan in (1) above is also secured by the pledge of the 2,450,000 ordinary shares of Laguna Banyan Tree Limited, as described in Note 10, and is guaranteed by two subsidiaries. The loan in (2) above is also secured by the pledge of the 10,188,203 ordinary shares of Thai Wah Plaza Limited, as described in Note 10. The loans in (3) to (5) and (11) above are guaranteed by a subsidiary company. The loan in (6) above is guaranteed by the Company.

The loan agreements of the Company and subsidiaries stipulate that they must comply with covenants relating to various matters, including the maintenance of financial ratios.

**17. CAPITAL RESERVE**

The capital reserve relates to the accounting of assets in subsidiaries at their fair values as at the acquisition date and cannot be used for dividend payments.

**18. STATUTORY RESERVE**

Under the Public Companies Limited Act B.E. 2535, the Company is required to set aside as a statutory reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of its registered share capital. The statutory reserve cannot be used for dividend payments.

**19. CORPORATE INCOME TAX**

Corporate income tax for the year has been calculated on earnings of the Company and subsidiaries after adding back certain expenses which are disallowable for tax computation purposes and deducting tax losses as brought forward from previous years.

**20. EXTRAORDINARY ITEM**

On 26<sup>th</sup> December 2004, Phuket experienced a Tsunami. The hotel businesses of the Company and its subsidiaries which include Dusit Laguna Resort, Sheraton Grande Laguna Phuket, Banyan Tree Phuket and Laguna Beach Resort were affected by this disaster, although the impact on the hotels was minimal when compared to other areas of Phuket. The extent of the damage was limited to restaurants close to the beach, and furniture, fixtures and equipment of these restaurants and less than 50 guest rooms. However, the Company and its subsidiaries are insured for property damage as a result of Acts of God, which includes a Tsunami. A provision for impairment of the fixed assets destroyed or damaged as a result of the Tsunami was recorded in the financial statements for the year 2004 amounting to Baht 45 million. Subsequently in 2005, the Company and its subsidiaries repaired and renovated guest rooms, restaurants, furniture, fixture and equipment in order to continue its normal business operations and has written off the assets that no longer can be used. Therefore the provision for impairment included in the financial statements for the year 2004 has been reversed in the current year.

As a result of the Tsunami and the damage caused, this has adversely impacted the level of business activity of the hotel operations of the Company and its subsidiaries. Management considers that the impact has been limited to the short-term with the long range prospects being little affected. Moreover the Company and its subsidiaries are insured for business interruption which will provide a level of compensation for the reduction in business levels resulting from the damage caused by this event.

**21. EMPLOYEES AND RELATED COSTS**

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Number of employees at the end of year	3,101	2,574	503	526
Employee costs (Thousand Baht)	848,473	705,546	209,133	186,481

**22. PROVIDENT FUND**

During the years the Company and its subsidiaries contributed to provident funds as follows: -

	FUND MANAGER		COMPANY'S CONTRIBUTION IN	
	HOTEL STAFF	OFFICE STAFF	2005 (MILLION BAHT)	2004 (MILLION BAHT)
Laguna Resorts & Hotels Public Company Limited	MFC Asset Management Plc.	MFC Asset Management Plc.	4.7	4.5
Laguna Grande Limited	American International Assurance Co., Ltd.	MFC Asset Management Plc.	0.9	0.8
Bangtao Grande Limited	Siam Commercial Bank Plc.	-	2.1	2.4
Laguna Beach Club Limited	Bangkok Bank Plc.	Bangkok Bank Plc.	1.9	2.3
Laguna Banyan Tree Limited	American International Assurance Co., Ltd.	MFC Asset Management Plc.	2.4	1.7
Banyan Tree Gallery (Singapore) Pte Ltd.	-	Central Provident Fund Board	1.9	1.8
Banyan Tree Gallery (Thailand) Limited	-	MFC Asset Management Plc.	0.3	0.2
Laguna Service Company Limited	-	MFC Asset Management Plc.	1.2	1.0
Laguna Holiday Club Limited	-	MFC Asset Management Plc.	0.3	0.3
Thai Wah Plaza Limited	TISCO Assets Management Co., Ltd.	MFC Asset Management Plc.	2.9	-

## 23. STATEMENTS OF CASH FLOWS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions, and current investments with an original maturity of three months or less and without commitment.

Cash and cash equivalents as reflected in the statements of cash flows consist of the following: -

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash and deposits with financial institutions	631,203,629	515,919,381	53,838,843	45,303,078
Current investment - fixed deposits with financial institutions	38,629,232	40,805,486	-	-
Cash and cash equivalents	669,832,861	556,724,867	53,838,843	45,303,078

## 24. COMMITMENTS

## Capital commitment

As at 31<sup>st</sup> December 2005, the Company and its subsidiaries have commitments as follows:

- The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties amounting to Baht 1,293.0 million (2004: Baht 1,034.0 million).
- Four subsidiaries have commitments that relate to projects to develop properties for sale amounting to approximately Baht 353.8 million (2004: Baht 186.7 million).

## Operating agreement

The Company and its subsidiaries entered into operating agreements with certain companies whereby these companies are to operate the Company's and its subsidiaries' hotels and golf business. In consideration for such services, the Company and subsidiaries are committed to pay remuneration at the rates, terms and basis specified in the agreements. These agreements are summarised as follows:

COMPANY	BUSINESS UNIT	OPERATOR	CONTRACT PERIOD	FEES
Laguna Resorts & Hotels Public Company Limited	Dusit Laguna Resort	Dusit Hotels and Resorts Company Limited	1.10.1992 - 30.9.2012	- Basic management fee : 2 percent of total revenue - Incentive fee : 5 percent of gross operating profit
Bangtao Grande Limited	Sheraton Grande Laguna Phuket	Sheraton Overseas Management Corporation	11.1.1989 - 31.12.2012 (a)	- Basic management fee : 2 percent of total revenue - Incentive fee : 7.5 percent of gross operating profit
Laguna Grande Limited	Laguna Phuket Golf Club	Banyan Tree Hotels & Resorts Pte Ltd.	1.10.1992 - 31.12.2014 (b)	- Basic management fee : 3 percent of total revenue - Incentive fee : 10 percent of gross operating profit
Laguna Banyan Tree Limited	Banyan Tree Phuket	Banyan Tree Hotels & Resorts Pte Ltd.	1.5.1995 - 31.12.2015 (c)	- Basic management fee : 2 percent of total revenue - Incentive fee : 7.5 percent of gross operating profit
Thai Wah Plaza Limited	Banyan Tree Bangkok	Banyan Tree Hotels & Resorts Pte Ltd.	1.1.2002 - 31.12.2021 (d)	- Basic management fee : 3 percent of total revenue - Incentive fee : 10 percent of gross operating profit

(a) Operator has exercised its option to extend for 10 years as the required conditions have been met.

(b) Operator has option to extend for 1 additional period of 10 years.

(c) Operator has exercised option to extend to 31.12.2015 (as notified on 28<sup>th</sup> July 2004) and has an option to extend for a further 10 years.

(d) Operator has option to extend for 1 additional period of 20 years.

## 25. BANK GUARANTEES

As at 31<sup>st</sup> December 2005, there were bank guarantees amounting to Baht 36.8 million (the Company only: Baht 2.8 million) issued to various parties on behalf of the Company and its subsidiaries, mainly provided for the usage of electricity, other utilities and telecommunication channels (2004: Baht 23.4 million, the Company only: Baht 2.7 million).

## 26. FINANCIAL INFORMATION BY SEGMENT

The Company's segmental financial information, divided between hotel operations, property development business and office rental, is presented in the consolidated financial statements as follows:-

(Unit : Million Baht)

	FOR THE YEAR ENDED 31 <sup>st</sup> DECEMBER 2005						
	HOTEL BUSINESS	GALLERY OPERATIONS	OTHERS	TOTAL HOTEL OPERATIONS	OFFICE RENTAL	PROPERTY DEVELOPMENT	TOTAL
Revenues	2,058	168	79	2,305	101	750	3,156
Operating profit	131	4	11	146	19	259	424
Other income	43	-	-	43	-	7	50
Selling and administrative expenses							(311)
Interest expenses							(138)
Corporate income tax							(47)
Minority interest							(12)
Net loss before extraordinary item							(34)
Extraordinary item							14
Net loss for the year							(20)
Property, plant and equipment - net	7,758	10	1,417	9,185	277	23	9,485
Total assets	9,596	193	1,464	11,253	322	1,043	12,618

(Unit : Million Baht)

	FOR THE YEAR ENDED 31 <sup>st</sup> DECEMBER 2004						
	HOTEL BUSINESS	GALLERY OPERATIONS	OTHERS	TOTAL HOTEL OPERATIONS	OFFICE RENTAL	PROPERTY DEVELOPMENT	TOTAL
Revenues	2,527	190	86	2,803	-	1,052	3,855
Operating profit	786	45	27	858	-	490	1,348
Other income	92	-	-	92	-	12	104
Selling and administrative expenses							(251)
Interest expenses							(40)
Corporate income tax							(156)
Minority interest							(79)
Net Earnings before extraordinary item							926
Extraordinary item							(41)
Net earnings for the year							885
Property, plant and equipment - net	5,183	10	1,432	6,625	-	23	6,648
Total assets	6,841	170	1,449	8,460	-	1,050	9,510

## 27. FINANCIAL INSTRUMENTS

## 27.1 Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable from the hotel, space rental, and property development businesses. However, due to the large number and diversity of the entities comprising the Company and its subsidiaries' customer base, the Company and its subsidiaries do not anticipate material losses from debt collection.

## 27.2 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Company and its subsidiaries' operations and their cash flows. The Company and its subsidiaries' exposure to interest rate risk relates primarily to their deposits with financial institutions, long-term trade accounts receivable and bank overdrafts and loans. The Company and its subsidiaries do not use derivative financial instruments to hedge such risk (the detail of long-term loans are set out in Note 16).

(Unit : Million Baht)

	31 <sup>st</sup> DECEMBER 2005						
	CONSOLIDATED			THE COMPANY ONLY			FIXED INTEREST RATE
	FLOATING RATE	FIXED RATE	TOTAL	FLOATING RATE	FIXED RATE	TOTAL	
Financial assets							
Cash and cash equivalents	631	-	631	54	-	54	-
Fixed deposits	-	41	41	-	-	-	1.75 - 2.75%
Long-term trade accounts receivable	26	35	61	-	-	-	9%, 9.75% and 12% (Note 9)
Long-term loans to subsidiaries	-	-	-	605	-	605	-
Financial liabilities							
Bank overdrafts and short-term loans	30	560	590	30	367	397	2%
Long-term loans from subsidiaries	-	-	-	891	-	891	-
Long-term loans from related companies	-	180	180	-	-	-	6%
Long-term loans from financial institutions	2,504	591	3,095	852	200	1,052	2%, 3.5%, 3.75%, 4%

## 27.3 Foreign currency risk

The Company and its subsidiaries' exposure to foreign currency risk relates primarily to their receivables, payables and loans which are denominated in foreign currencies. In addition to those transactional exposures, the Company is also exposed to the effect of foreign exchange movements on its investment in foreign subsidiaries, which currently are not hedged by any derivative financial instrument.

The Company and a subsidiary have entered into forward exchange contracts to hedge their hotel revenues which are denominated in foreign currencies. Forward exchange contracts outstanding as at 31<sup>st</sup> December 2005 are summarised in the next page.

FOREIGN CURRENCY	AMOUNT BOUGHT	FORWARD RATE FOR AMOUNT BOUGHT (BAHT PER US DOLLAR)	MATURITY
<b>The Company</b>			
US dollar	5.1 million	39.35	USD 1.3 million due quarterly from 31 <sup>st</sup> March 2006 to 29 <sup>th</sup> December 2006
US dollar	12.0 million	41.57	USD 1.2 million due quarterly from 31 <sup>st</sup> January 2008 to 30 <sup>th</sup> April 2008 and USD 1.6 million due quarterly 31 <sup>st</sup> July 2008 to 31 <sup>st</sup> October 2009
<b>A subsidiary</b>			
US dollar	5.1 million	39.32	USD 0.6 million due quarterly from 31 <sup>st</sup> January 2006 to 31 <sup>st</sup> October 2007

Below is a summary of the Company and its subsidiaries' unhedged foreign currency-denominated assets/liabilities as at 31<sup>st</sup> December 2005. The majority of these liabilities are repayable within one year.

(Unit : Thousand)

FOREIGN CURRENCY	CONSOLIDATED		THE COMPANY ONLY	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
US dollar	2,710	714	347	-
Singapore dollar	25	222	-	-
Euro	-	2	-	-
Australian dollar	-	2	-	-

## 27.4 Fair value

Since the majority of the financial assets are short-term and that the loans carry interest at rates close to current market rates, the management believes that the fair value of the Company and its subsidiaries' financial assets and liabilities does not materially differ from their carrying value.

## 28. DIVIDENDS

On 26<sup>th</sup> April 2005, the Annual General Meeting of the shareholders approved the payment of a dividend of Baht 2 per share (totaling Baht 169.3 million) to be paid to the Company's shareholders in respect of the 2004 earnings. Such dividends have been paid in May 2005.

On 23<sup>rd</sup> December 2005, the Extraordinary General Meeting of the shareholders No.5/2005 of Laguna Beach Club Limited, a subsidiary, approved an interim dividend of Baht 40.0 million to be paid to its shareholders in respect of the 2004 earnings. Such dividends have been paid in December 2005.

## 29. LITIGATION

A case has been brought to the Administration Court in which the Company and four subsidiaries are co-defendants. The Plaintiff has requested the Court to order the Phuket Provincial Land Office, named as the defendant, to revoke some land title deeds under ownership of the said companies, on the grounds that such title deeds were issued illegally. All evidence has been submitted to the Court which the Court is now considering. The land titles in question were issued well before the co-defendants purchased the land, which the co-defendants subsequently purchased in good faith. Although it is expected that it will take at least 1 year from now to receive a judgment, the Company is confident that it has sufficient evidence to support its defense of this case.

**30. PRESENTATION**

The presentation of these financial statements has been made in compliance with the stipulations of the Notification of the Business Development Department dated 14<sup>th</sup> September 2001, as empowered under the Accounting Act B.E. 2543.

**31. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issued by the Company's directors on 9<sup>th</sup> February 2006.