

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED  
AND ITS SUBSIDIARIES  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2006

**Report of Independent Auditor**

To The Board of Directors and Shareholders of  
Laguna Resorts & Hotels Public Company Limited

I have audited the accompanying consolidated balance sheets of Laguna Resorts & Hotels Public Company Limited and its subsidiaries as at 31 December 2006, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Laguna Resorts & Hotels Public Company Limited for the same period. 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 Limited, which are included in these consolidated financial statements. As at 31 December 2006, these subsidiaries had total assets of Baht 2,145.5 million and total revenues for the year then ended of Baht 441.8 million. In addition, the separate financial statements of Laguna Resorts & Hotels Public Company Limited as at 31 December 2006 included investments in the aforesaid subsidiaries accounted for under the equity method amounting to Baht 412.4 million, and share of loss of the subsidiaries for the year then ended of Baht 47.4 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 December 2005 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under her report dated 9 February 2006, expressed an unqualified opinion on those statements.

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 position of Laguna Resorts & Hotels Public Company Limited and its subsidiaries and of Laguna Resorts & Hotels Public Company Limited as at 31 December 2006 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

Ernst & Young Office Limited

Bangkok: 27 February 2007

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents		1,087,923,520	669,832,861	103,113,656	53,838,843
Trade accounts receivable - net	6	1,116,496,985	810,689,304	66,899,074	60,367,391
Amounts due from related companies	7	33,256,763	24,464,334	30,004,929	23,163,063
Inventories - net	8	158,314,368	144,610,503	19,363,469	17,427,685
Property development cost - net	9	593,414,126	218,519,056	29,639,622	-
Other current assets	10	421,283,706	211,215,265	162,076,519	13,902,109
<b>Total current assets</b>		<b>3,410,689,468</b>	<b>2,079,331,323</b>	<b>411,097,269</b>	<b>168,699,091</b>
<b>Non-current assets</b>					
Restricted deposits at financial institution		2,140,000	2,000,000	-	-
Long-term trade accounts receivable	11	45,168,708	35,231,689	-	-
Investments in subsidiaries accounted for under the equity method	12	-	-	7,342,919,921	7,704,642,972
Other long-term investments	14	210,399,386	210,399,386	13,674,001	13,674,001
Long-term loans to subsidiaries	7	-	-	1,137,000,000	604,500,000
Property, plant and equipment - net	15	10,477,003,044	9,485,355,231	824,008,317	790,343,036
Land awaiting development	15	639,390,200	639,390,200	-	-
Leasehold rights - net	16	84,328,941	125,805,115	-	-
Goodwill on consolidation	12	20,305,564	20,816,789	20,305,564	20,816,789
Other non-current assets		18,396,056	19,729,185	5,900,799	6,601,116
<b>Total non-current assets</b>		<b>11,497,131,899</b>	<b>10,538,727,595</b>	<b>9,343,808,602</b>	<b>9,140,577,914</b>
<b>TOTAL ASSETS</b>		<b>14,907,821,367</b>	<b>12,618,058,918</b>	<b>9,754,905,871</b>	<b>9,309,277,005</b>

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

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions		637,000,000	590,000,000	415,000,000	397,000,000
Trade accounts payable		270,304,320	257,011,277	34,760,669	42,553,474
Current portion of long-term loans	18	648,597,000	607,929,000	140,000,000	280,000,000
Amounts due to related companies	7	96,695,820	63,401,328	43,141,178	15,535,529
Corporate income tax payable		135,140,265	23,111,420	-	-
Other current liabilities	17	985,778,540	749,658,928	108,467,067	69,133,720
<b>Total current liabilities</b>		<b>2,773,515,945</b>	<b>2,291,111,953</b>	<b>741,368,914</b>	<b>804,222,723</b>
<b>Non-current liabilities</b>					
Long-term loans from subsidiaries	7	-	-	556,750,000	890,750,000
Long-term loans from related company	7	416,449,627	180,252,794	-	-
Long-term loans - net of current portion	18	3,080,271,743	2,486,858,743	632,000,000	772,000,000
Other non-current liabilities		55,933,570	70,726,964	8,430,010	8,496,210
<b>Total non-current liabilities</b>		<b>3,552,654,940</b>	<b>2,737,838,501</b>	<b>1,197,180,010</b>	<b>1,671,246,210</b>
<b>Total liabilities</b>		<b>6,326,170,885</b>	<b>5,028,950,454</b>	<b>1,938,548,924</b>	<b>2,475,468,933</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 fully paid-up					
84,670,143 ordinary shares of Baht 10 each		846,701,430	846,701,430	846,701,430	846,701,430
Share premium		2,062,460,582	2,062,460,582	2,062,460,582	2,062,460,582
Other surpluses					
Capital reserve	19	634,698,720	634,698,720	634,698,720	634,698,720
Revaluation surplus		1,789,995,216	1,888,359,140	1,789,995,216	1,888,359,140
Unrealised loss on available-for-sale securities	14	-28,856,095	-28,856,095	-28,856,095	-28,856,095
Translation adjustment		72,905,170	104,869,520	72,905,170	104,869,520
Retained earnings					
Appropriated - statutory reserve	20	84,670,143	84,670,143	84,670,143	84,670,143
Unappropriated		2,353,781,781	1,240,904,632	2,353,781,781	1,240,904,632
		2,438,451,924	1,325,574,775	2,438,451,924	1,325,574,775
Equity attributable to Company's shareholders		7,816,356,947	6,833,808,072	7,816,356,947	6,833,808,072
Minority interest - equity attributable to					
minority shareholders of subsidiaries		765,293,535	755,300,392	-	-
<b>Total shareholders' equity</b>		<b>8,581,650,482</b>	<b>7,589,108,464</b>	<b>7,816,356,947</b>	<b>6,833,808,072</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14,907,821,367</b>	<b>12,618,058,918</b>	<b>9,754,905,871</b>	<b>9,309,277,005</b>
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The accompanying notes are an integral part of the financial statements.

DIRECTORS

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
<b>Revenues</b>					
Revenues from hotel operations		3,589,806,682	2,305,533,119	475,512,469	288,426,117
Revenues from property development operations		2,327,817,464	750,134,469	4,120,000	-
Revenues from office rental operations		80,764,484	100,867,345	-	-
Interest income		26,797,803	8,868,924	49,732,344	51,588,382
Foreign exchange gain		87,965,436	-	98,217,273	-
Share of income from investments accounted for under the equity method		-	-	1,182,031,713	143,455,418
Other income		42,500,004	40,474,916	51,847,188	76,578,722
<b>Total revenues</b>		<b>6,155,651,873</b>	<b>3,205,878,773</b>	<b>1,861,460,987</b>	<b>560,048,639</b>
<b>Expenses</b>					
Direct hotel operations expenses		3,015,567,942	2,158,624,513	339,508,730	262,959,971
Direct cost of property development operations		1,203,044,509	490,644,966	21,543,214	-
Direct cost of office rental operations		89,564,539	83,186,990	-	-
Selling and administrative expenses		276,793,278	263,585,463	236,217,899	212,347,633
Directors' remuneration	21	5,494,000	8,563,681	5,494,000	8,563,681
Foreign exchange loss		-	38,804,420	-	10,670,416
<b>Total expenses</b>		<b>4,590,464,268</b>	<b>3,043,410,033</b>	<b>602,763,843</b>	<b>494,541,701</b>
Income before interest expenses and corporate income tax		1,565,187,605	162,468,740	1,258,697,144	65,506,938
Interest expenses		(202,055,630)	(138,102,723)	(145,819,995)	(99,406,674)
Corporate income tax		(228,380,356)	(46,517,226)	-	-
Income (loss) after corporate income tax		1,134,751,619	(22,151,209)	1,112,877,149	(33,899,736)
Net income attributable to minority interest		(21,874,470)	(11,748,527)	-	-
Net income (loss) before extraordinary item		1,112,877,149	-33,899,736	1,112,877,149	-33,899,736
Extraordinary item - provision for impairment of fixed assets, attributable to	22				
- Share of income from investments accounted for under the equity method		-	-	-	6,098,442
- Reversal of provision		-	16,230,665	-	8,021,553
- Minority interest		-	-2,110,670	-	-
		-	14,119,995	-	14,119,995
<b>Net income (loss) for the year</b>		<b>1,112,877,149</b>	<b>-19,779,741</b>	<b>1,112,877,149</b>	<b>-19,779,741</b>
<b>Basic earnings per share</b>					
Net income (loss) before extraordinary item	24	13.14	-0.40	13.14	-0.40
Extraordinary item		-	0.17	-	0.17
<b>Net income (loss) for the year</b>		<b>13.14</b>	<b>-0.23</b>	<b>13.14</b>	<b>-0.23</b>

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

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Cash flows from (used in) operating activities</b>				
Net income (loss) for the year	1,112,877,149	-19,779,741	1,112,877,149	-19,779,741
Adjustments to reconcile net income (loss) to net cash provided by (paid from) operating activities				
Net income attributable to minority interest	21,874,470	13,859,197	-	-
Interest expenses	202,055,630	138,102,723	145,819,995	99,406,674
Corporate income tax	228,380,356	46,517,226	-	-
Income before interest expenses and corporate income tax	1,565,187,605	178,699,405	1,258,697,144	79,626,933
Adjustments for:				
Extraordinary item - (reversal of) allowance for impairment of fixed assets	-	-16,230,665	-	-8,021,554
Depreciation	401,334,179	345,280,429	39,562,675	35,597,066
Amortisation of leasehold rights	5,770,097	6,325,000	-	-
Amortisation of (negative goodwill) /goodwill on consolidation	511,225	216,314	-	-
Allowance for doubtful accounts	4,538,719	4,497,828	-	-
Allowance for stock obsolescences	3,656,229	-	-	-
Share of income from investments accounted for under the equity method	-	-	(1,182,031,713)	(149,553,860)
(Gain) Loss on the dissolution of a subsidiary	-	-	(1,220,648)	29,000,000
Gain on the 15% of divestment of a subsidiary	-44,344	-	-	-
Allowance for impairment in value of other long-term investment	-	999,999	-	999,999
Unrealised foreign exchange loss (gain)	-114,851,071	34,058,916	(92,225,457)	3,742,283
Gain on sales of property, plant and equipment	-4,697,352	-	-630,251	-
Write off property, plant and equipment	319,649	8,479,486	-	6,020,366
Reversal of allowance for impairment of fixed assets	-	(15,479,495)	-	-3,145,939
Gain on sales of leasehold rights	-5,358,085	-	-	-
Gain on property sales recognition	(34,598,969)	(34,014,717)	-	-
<b>Decrease (increase) in operating assets</b>				
Trade accounts receivable	(310,346,400)	79,385,758	(6,531,683)	443,253
Amounts due from related companies	(8,792,429)	10,225,212	(6,841,866)	(13,293,926)
Inventories	(17,360,094)	(9,054,285)	(1,935,784)	(5,553,439)
Property development cost	(56,824,263)	(37,444,708)	-29,639,622	-
Other current assets	(112,229,342)	(135,823,242)	(58,191,873)	(2,493,979)
Long-term trade accounts receivable	(11,785,299)	4,395,748	-	-
Other non-current assets	1,333,130	-936,454	700,318	417,297

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

## LAGUNA RESORTS &amp; HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

## STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Increase (decrease) in operating liabilities				
Trade accounts payable	13,293,042	16,264,021	(7,792,805)	9,103,601
Amounts due to related companies	33,294,493	-16,931,634	24,412,563	(382,219)
Other current liabilities	234,958,075	36,067,781	41,525,482	14,900,988
Other non-current liabilities	-14,793,394	27,555,678	(66,200)	(2,320,915)
Net cash flows from operating activities before interest and income tax paid	1,572,515,401	486,536,375	(22,209,720)	(4,914,045)
Interest paid	(189,897,867)	(130,524,247)	(142,576,126)	(95,135,275)
Income tax paid	-116,351,510	-98,152,851	-	-
Net cash flows from (used in) operating activities	1,266,266,024	257,859,277	-164,785,846	-100,049,320
Cash flows from (used in) investing activities				
Increase in restricted deposits at financial institutions	-140,000	-	-	-
Increase of long-term loans to subsidiaries	-	-	(532,500,000)	(566,000,000)
Purchase of other long-term investments	-	-21,330,193	-	-
Purchase of investment in subsidiaries	-	-1,598,017	-	-
Cash received from the dissolution of a subsidiary	-	-	1,730,648	-
Cash received from the 15% divestment of a subsidiary	150,000	-	-	-
Acquisition of investments in subsidiaries, net of cash acquired	-	40,009,493	-	(28,500,000)
Dividend received from subsidiaries	-	-	1,423,679,351	3,333,200
Proceeds from sales of leasehold rights	25,612,448	-	-	-
Acquisition of property, plant and equipment	-1,787,270,806	-1,029,873,179	(83,758,462)	(73,144,719)
Proceeds from sales of property, plant and equipment	9,759,988	755,904	909,122	36,890
Net cash flows from (used in) investing activities	-1,751,888,370	-1,012,035,992	810,060,659	(664,274,629)
Cash flows from (used in) financing activities				
Dividend payment of the Company and a subsidiary	(40,001,600)	(189,341,086)	-	(169,340,286)
Increase in short-term loans from financial institutions	47,000,000	530,000,000	18,000,000	337,000,000
Repayment of long-term loans from other company of a newly acquired subsidiary	-	(1,111,000,000)	-	-
Decrease of long-term loans from subsidiaries	-	-	-	(46,800,000)
Increase (decrease) of long-term loans from related companies	214,033,605	180,252,794	-334,000,000	-
Draw down of long-term loans	1,227,010,000	3,783,406,736	-	892,000,000
Repayment of long-term loans	(592,929,000)	(2,415,898,284)	(280,000,000)	(240,000,000)
Cash received from minority shareholder for share capital increase of subsidiaries	48,600,000	89,864,549	-	-
Net cash flows from (used in) financing activities	903,713,005	867,284,709	(596,000,000)	772,859,714
Net increase in cash and cash equivalents	418,090,659	113,107,994	49,274,813	8,535,765
Cash and cash equivalents at beginning of year	669,832,861	556,724,867	53,838,843	45,303,078
Cash and cash equivalents at end of year	1,087,923,520	669,832,861	103,113,656	53,838,843
	0	0	0	0
Supplemental cash flows information				
Cash paid during the year for				
Interest expense	189,897,867	130,524,247	142,576,126	95,135,275
Capitalised interest	31,691,853	7,935,846	-	-

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



LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Baht)

CONSOLIDATED

	Note	Issued and fully paid-up		Capital reserve	Unrealised gain (loss)			Retained earnings		Minority interest - equity attributable to minority shareholders of subsidiaries	Total
		Share capital	Share premium		Revaluation surplus	on available-for-sale securities	Translation adjustment	Appropriated - Statutory reserve	Unappropriated		
Balance as at 31 December 2004		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		-	-	-	31,100,000	-	-	-	-	900,000	32,000,000
Unrealised loss on available-for-sale securities		-	-	-	-	(29,249,423)	-	-	-	-	-29,249,423
Translation adjustment		-	-	-	-	-	20,040,143	-	-	8,130,577	28,170,720
Purchase of minority interest shares		-	-	-	-	-	-	-	-	-1,598,017	(1,598,017)
Payment of share capital increase of subsidiary		-	-	-	-	-	-	-	-	89,864,549	89,864,549
Unrealised items in income statements		-	-	-	(97,628,853)	-29,249,423	20,040,143	-	-	90,226,343	(16,611,790)
Net (loss) income before extraordinary item for the year 2005		-	-	-	-	-	-	-	-33,899,736	11,748,527	-22,151,209
Extraordinary item	22	-	-	-	-	-	-	-	14,119,995	2,110,670	16,230,665
Dividend payment	26	-	-	-	-	-	-	-	(169,340,286)	(20,000,800)	(189,341,086)
Balance as at 31 December 2005		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
Amortisation of revaluation surplus		-	-	-	(36,553,308)	-	-	-	-	(7,070,766)	(43,624,074)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(61,810,616)	-	-	-	-	-	(61,810,616)
Translation adjustment		-	-	-	-	-	(31,964,350)	-	-	-13,514,617	(45,478,967)
Dividend payment		-	-	-	-	-	-	-	-	-40,001,600	(40,001,600)
Sold investment to minority interest		-	-	-	-	-	-	-	-	105,656	105,656
Payment of share capital increase of subsidiary		-	-	-	-	-	-	-	-	48,600,000	48,600,000
Unrealised items in income statements		-	-	-	(98,363,924)	-	(31,964,350)	-	-	(11,881,327)	(142,209,601)
Net income for the year 2006		-	-	-	-	-	-	-	1,112,877,149	21,874,470	1,134,751,619
Balance as at 31 December 2006		846,701,430	2,062,460,582	634,698,720	1,789,995,216	-28,856,095	72,905,170	84,670,143	2,353,781,781	765,293,535	8,581,650,482
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The accompanying notes are an integral part of the financial statements.

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit: Bakh)

THE COMPANY ONLY										
	Note	Issued and fully paid-up			Unrealised gain (loss)			Retained earnings		Total
		share capital	Share premium	Capital reserve	Revaluation surplus	on available-for-sale securities	Translation adjustment	Appropriated - Statutory reserve	Unappropriated	
<b>Balance as at 31 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)	-	-	-	(29,249,423)
Translation adjustment		-	-	-	-	-	20,040,143	-	-	20,040,143
Unrealised items in income 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)	(33,899,736)
Extraordinary item	22	-	-	-	-	-	-	-	14,119,995	14,119,995
Dividend payment	26	-	-	-	-	-	-	-	(169,340,286)	(169,340,286)
<b>Balance as at 31 December 2005</b>		<u>846,701,430</u>	<u>2,062,460,582</u>	<u>634,698,720</u>	<u>1,888,359,140</u>	<u>(28,856,095)</u>	<u>104,869,520</u>	<u>84,670,143</u>	<u>1,240,904,632</u>	<u>6,833,808,072</u>
Amortisation of revaluation surplus		-	-	-	(36,553,308)	-	-	-	-	(36,553,308)
Reversal of revaluation surplus for land transferred to property development cost		-	-	-	(61,810,616)	-	-	-	-	(61,810,616)
Translation adjustment		-	-	-	-	-	(31,964,350)	-	-	(31,964,350)
Unrealised items in income statements		-	-	-	(98,363,924)	-	(31,964,350)	-	-	(130,328,274)
Net income for the year 2006		-	-	-	-	-	-	-	1,112,877,149	1,112,877,149
<b>Balance as at 31 December 2006</b>		<u>846,701,430</u>	<u>2,062,460,582</u>	<u>634,698,720</u>	<u>1,789,995,216</u>	<u>(28,856,095)</u>	<u>72,905,170</u>	<u>84,670,143</u>	<u>2,353,781,781</u>	<u>7,816,356,947</u>

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

LAGUNA RESORTS & HOTELS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

**1. GENERAL INFORMATION**

Laguna Resorts & Hotels Public Company Limited (“The Company”) is a public company incorporated and domiciled in Thailand. Its major shareholder is Banyan Tree Holdings Limited, which was incorporated in Singapore.

The Company and its subsidiaries is principally engaged in the hotel business and property development. 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, one hotel, the Banyan Tree Bangkok, located in Bangkok and a new hotel, Banyan Tree Lijiang, located in Yunnan Province in China. 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 sale of holiday club memberships.

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

**2. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

**3. BASIS OF CONSOLIDATION**

3.1 The consolidated financial statements include the financial statements of the Company and its subsidiaries as follows:

	Country of incorporation	Percentage of Shareholding		Nature of business
		2006	2005	
<u>Subsidiaries directly held by the Company</u>				
TWR - Holdings Ltd.	Thailand	100.0	100.0	Investment holding
Laguna Holiday Club Ltd.	Thailand	100.0	100.0	Club membership
Cheer Golden Ltd.	Hong Kong	100.0	100.0	Investment holding
Laguna Grande Ltd.	Thailand	100.0	100.0	Operating a golf club and property development
Laguna (3) Ltd.	Thailand	100.0	100.0	Property development <sup>(2)</sup>
Wenco - Thai Ltd.	Thailand	-	100.0	Dormant <sup>(4)</sup>
Banyan Tree Gallery (Thailand) Ltd.	Thailand	51.0	51.0	Sale of merchandise
Banyan Tree Gallery (Singapore) Pte Ltd.	Singapore	51.0	51.0	Sale of merchandise
<u>Subsidiaries held through TWR - Holdings Ltd.</u>				
Pai Samart Development Co., Ltd.	Thailand	100.0	100.0	Property development <sup>(1)</sup>
Mae Chan Property Co., Ltd.	Thailand	100.0	100.0	Property development <sup>(1)</sup>
Phuket Resort Development Ltd.	Thailand	100.0	100.0	Property development <sup>(1),(2)</sup>
Twin Waters Development Co., Ltd.	Thailand	100.0	100.0	Property development
PT AVC Indonesia	Indonesia	100.0	100.0	Club membership
Laguna Banyan Tree Ltd.	Thailand	100.0	100.0	Hotel operations
Lijiang Banyan Tree Hotel Co., Ltd.	China	70.0	70.0	Hotel operations
Laguna Beach Club Ltd.	Thailand	60.0	60.0	Hotel operations
Laguna (1) Ltd.	Thailand	60.0	60.0	Property development <sup>(2)</sup>
Talang Development Co., Ltd.	Thailand	50.0	50.0	Property development <sup>(1)</sup>
Thai Wah Plaza Ltd.	Thailand	100.0	100.0	Hotel operations and lease of office building space
Thai Wah Tower Co.,Ltd.	Thailand	100.0	100.0	Lease of office building space
Thai Wah Tower (2) Co.,Ltd.	Thailand	100.0	100.0	Property development <sup>(3)</sup>
Laguna Excursions Ltd.	Thailand	49.0	49.0	Travel operations
<u>Subsidiaries held through Laguna Grande Ltd.</u>				
Bangtao (1) Ltd.	Thailand	100.0	100.0	Property development <sup>(2)</sup>
Bangtao (2) Ltd.	Thailand	100.0	100.0	Property development <sup>(2)</sup>
Bangtao (3) Ltd.	Thailand	100.0	100.0	Property development <sup>(1),(2)</sup>
Bangtao (4) Ltd.	Thailand	100.0	100.0	Property development <sup>(2)</sup>
Bangtao Development Ltd.	Thailand	100.0	100.0	Property development <sup>(2)</sup>
Bangtao Grande Ltd.	Thailand	100.0	100.0	Hotel operations
Laguna Central Ltd.	Thailand	85.0	100.0	Dormant
<u>Subsidiaries held through the Company and three subsidiaries</u>				
Laguna Service Co., Ltd.	Thailand	89.2	89.2	Provide utilities and other

services to hotels of the  
Company and subsidiaries

- (1) Hold land plots for future development.
- (2) Own the land on which the 4 hotels are situated.
- (3) Own the land on which Banyan Tree Bangkok is situated.
- (4) Liquidated companies

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

The Company has a 49 percent shareholding in Laguna Excursions Ltd. However, the Company has recognized its share of the income of this subsidiary at 100 percent in accordance with the income sharing percentage in the Articles of Association.

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 December 2006 are as follows: -

Subsidiaries	Percentage of total assets included in the consolidated balance sheets	Percentage of total revenues included in the consolidated income statements
Laguna Grande Ltd.#	4.3	7.5
Laguna Banyan Tree Ltd.	15.9	20.7
Bangtao Grande Ltd.	7.4	13.7
Laguna Beach Club Ltd.	5.1	5.9
Bangtao Development Ltd.	11.2	0.6
Thai Wah Plaza Ltd.	14.5	22.5
Laguna Holiday Club Ltd.	5.7	10.5

(# excluding the investment accounted for under the equity method in Bangtao Grande Ltd.)

- 3.2 The financial statements of overseas subsidiary companies are translated into Thai Baht at the closing exchange rate as to assets and liabilities, and at monthly average exchange rates as to revenues and expenses. The resultant differences have been shown under the caption of "Translation adjustment" in shareholders' equity.
- 3.3 Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
- 3.4 Investments in the subsidiary companies as recorded in the Company's books of account are eliminated against the equity of the subsidiary companies. The resultant differences are

amortised over a period of 20 years commencing as from the date of acquisition of the investment.

#### 4. ADOPTION OF NEW ACCOUNTING STANDARDS

- 4.1 In October 2006, the Federation of Accounting Professions issued Notification No. 25/2006 allowing entities which carry their property, plant and equipment at revalued amounts the choice for depreciation to be charged to the income statements based on the historical costs of the assets or on the revalued amounts. The previous notification issued required depreciation on revalued amounts be charged to the income statement from 1 January 2007. The Company has decided for the current reporting period to continue with its practice of charging depreciation on the historical cost of assets through the income statement and the depreciation on revalued amounts to equity via the revaluation reserve. However, had the depreciation charge been calculated based on the revalued amounts, net income and earnings per share would have been changed to the following:

	Consolidated		The Company Only	
	2006	2005	2006	2005
Net income (loss) (Baht)	1,076,323,841	(51,400,664)	1,076,323,841	(51,400,664)
Basic earnings (loss) per share (Baht per share)	12.71	(0.61)	12.71	(0.61)

- 4.2 In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of increasing net income in the separate income statement for 2006 by approximately Baht 241.6 million (Baht 2.85 per share) and decreasing net worth in the balance sheet at 31 December 2006 by approximately Baht 3,872.0 million.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1 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 the sale of land and houses

Revenues from the sale of land and houses are recognized 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 upon estimations performed by qualified engineers. Revenue is recognized 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.

Where properties are sold to non-Thais, the land is sold under a long-term lease agreement comprising an initial term of thirty years with an option to extend for two successive periods of thirty years each, without any additional consideration to be paid in addition to the sum of the rental paid for the initial lease term. These long-term lease agreements also contain a further option that provides if Thai law permits non-Thais to own land on a freehold basis, the lessor shall consent to sell the land to the lessee in return for a token payment. Consequently, long-term leases are recognized as sales of land for accounting purposes in accordance with the principle of applying substance over form.

Revenues from the sale of land are recognized when the ownership has been transferred to buyers or all payments are received from the buyers.

- Revenue from sales of furniture

Revenue from sales of furniture are recognised when furniture is completely installed.

- Revenue from sale of holiday club memberships

Revenue from the sale of holiday club memberships is recognised when a legally binding contract has been signed and at least twenty-five percent of the contract price has been received.

- (c) Revenues from rental and services

Rental income is recognised over the lease period. Service revenue is recognized when services have been rendered taking into account the stage of completion.

- (d) Interest income

Interest income is recognized as interest accrues based on the effective rate method.

## **5.2 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 income statements according to the percentage of completion basis.

## **5.3 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, cash at bank, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

## **5.4 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debtor aging.



### **5.5 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.

### **5.6 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.

Allowance for diminution in inventory value is set up for old, obsolete, slow-moving or deteriorated inventories.

### **5.7 Investments**

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

### **5.8 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 (The fair value is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand) and recognise changes in the value of investments as a separate item in shareholders' equity under the caption of "Unrealised gain/loss on available-for-sale securities" until the investments are sold, when the changes are then included in determining income.

Long-term investments in non-marketable equity securities, which the Company and subsidiaries classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).

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 income statements.

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

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.

## **5.9 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 and allowance for loss on impairment of assets (if any). The Company and subsidiaries initially record land, buildings, fixtures and equipment of buildings at cost at the acquisition date, and subsequently revalued by an independent professional 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 and allowance for loss on impairment of assets (if any), except for land and land awaiting development which is stated at revaluation made by an independent professional appraiser. As a policy, land revaluation by an independent professional 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.

Differences arising from the revaluation are dealt with in the financial statements 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 income 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 income statement.

### 5.10 Depreciation

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amounts on the straight-line basis over the following estimated useful lives:

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

The depreciation is dealt with in the financial statements as follows:

- Depreciation attributed to the original cost portion is included in determining income.
- Depreciation attributed to the surplus portion is deducted against revaluation surplus in shareholders' equity.

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

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

#### **5.11 Leasehold rights and amortisation**

Leasehold rights are stated at cost less accumulated amortisation and any impairment losses (if any). Amortisation of leasehold rights is calculated by reference to their cost 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.

The amortisation is included in determining income.

#### **5.12 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 amortization and allowance for loss on impairment (if any). Amortization is calculated on a straight-line basis over 20 years for hotel operation acquisitions, and over 3 years for other business acquisitions.

#### **5.13 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **5.14 Foreign currencies**

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Exchange gains and losses are included in determining income.

#### **5.15 Impairment of assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

#### **5.16 Employee benefits**

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **5.17 Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **5.18 Income Tax**

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

## 5.19 Derivatives

### Forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling on the balance sheet. Gains and losses from the translation are included in determining income.

## 5.20 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. TRADE ACCOUNTS RECEIVABLE

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Trade accounts receivable - hotel operations	526,160,949	499,510,257	68,782,902	62,251,218
Less: Allowance for doubtful accounts	(11,440,368)	(7,236,413)	(1,883,828)	(1,883,827)
Trade accounts receivable - hotel operations, net	514,720,581	492,273,844	66,899,074	60,367,391
Trade accounts receivable - sales of property				
- Installments due	182,341,577	62,823,358	-	-
- Unbilled receivable (not yet due)	331,130,236	233,609,783	-	-
Current portion of long-term trade accounts receivable (Note 11)	92,304,591	25,982,319	-	-
Total	605,776,404	322,415,460	-	-
Less: Allowance for doubtful accounts	(4,000,000)	(4,000,000)	-	-
Trade accounts receivable - sales of property, net	601,776,404	318,415,460	-	-
Trade accounts receivable - net	1,116,496,985	810,689,304	66,899,074	60,367,391

The outstanding balance of trade accounts receivable - hotel operations are aged, based on due date, as follows:

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b><u>Age of receivables</u></b>				
Not yet due	290,224,726	317,418,131	17,517,527	27,338,962
Past due				
Less than 30 days	154,875,442	130,493,813	35,337,578	24,641,859
31 - 60 days	53,845,568	32,941,194	12,294,677	6,473,724
61 - 90 days	11,099,151	10,490,431	1,378,516	1,878,029
91 - 120 days	4,350,723	2,241,752	436,267	390,045
More than 120 days	11,765,339	5,924,936	1,818,337	1,528,599
Total	526,160,949	499,510,257	68,782,902	62,251,218
Less: Allowance for doubtful accounts	(11,440,368)	(7,236,413)	(1,883,828)	(1,883,827)
Trade accounts receivable - hotel operations, net	<u>514,720,581</u>	<u>492,273,844</u>	<u>66,899,074</u>	<u>60,367,391</u>

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

(Unit: Baht)

	CONSOLIDATED	
	2006	2005
Total value of contracts signed	<u>3,689,747,539</u>	<u>1,928,798,447</u>
Installments due	2,731,690,090	1,463,979,715
Less: Collections	(2,549,348,513)	(1,401,156,357)
Accounts receivable - installments due	<u>182,341,577</u>	<u>62,823,358</u>
Revenues recognised	3,187,074,114	1,732,637,704
Less: Installments due	(2,731,690,090)	(1,463,979,715)
Long-term trade accounts receivable - installment receivable (Note 11)	<u>(124,253,788)</u>	<u>(35,048,206)</u>
Unbilled receivable (not yet due)	<u>331,130,236</u>	<u>233,609,783</u>

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

## 7. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions. 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	2006	2005	Transfer Pricing policy
Reimbursement of costs	BTHL	LBTH	2.0	1.3	(2) agreed basis
	BTHL	LRH	20.9	-	(2) agreed basis
	BTHR	LBTH	19.4	15.4	(2) agreed basis
	BTHR	LBTL	36.5	34.2	(2) agreed basis
	BTHR	TWPL	15.6	12.6	(2) agreed basis
	BTRS(T)	BTG(T)	1.3	1.3	(2) agreed basis
	BTRS(T)	TWPL	2.4	2.7	(2) agreed basis
	LBTL	BTHR	5.9	3.8	(2) agreed basis
	LBTL	BTRS(T)	8.8	6.2	(2) agreed basis
	LRH	BTHL	1.4	0.5	(2) agreed basis
	LRH	BTHR	2.1	2.9	(2) agreed basis
	LRH	BTR	2.2	1.8	(2) agreed basis
	LRH	BTRS(T)	1.1	0.8	(2) agreed basis
	PTBH	AVCI	7.9	-	(2) agreed basis
	TWPL	BTHR	14.6	7.7	(2) agreed basis
	TWPL	BTRS(T)	9.0	11.0	(2) agreed basis
	WYLH	LBTH	4.6	-	(2) agreed basis
	Other		9.5	8.9	(2) agreed basis



(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy
Inter resort charges	BTRS(T)	BGL	23.6	14.9	(3) agreed basis
	BTRS(T)	LBC	8.9	7.2	(3) agreed basis
	BTRS(T)	LBTL	54.6	40.3	(3) agreed basis
	BTRS(T)	LRH	12.6	7.4	(3) agreed basis
	BTRS(T)	TWPL	28.2	30.2	(3) agreed basis
	Other		0.3	0.3	(3) agreed basis
Credit card commission	Other		1.3	0.5	(4) agreed basis
Commission on spa guests	LBC	BTRS(T)	0.8	0.6	(5) agreed basis
Commission on consignment sales	Other		3.7	2.7	(18) agreed basis
Resort service charges	LSC	BTRS(T)	5.2	3.8	(6) agreed basis
Management fees	BTHR	LBTH	5.9	-	(8)(iii), (iv) agreement
	BTHR	LBTL	80.2	52.2	(8)(i), (iv) agreement
	BTHR	LGL	3.8	1.6	(8)(ii) agreement
	BTHR	TWPL	73.6	66.7	(8)(iii), (iv) agreement
	Other		0.6	-	(8) agreements
Rent and service	BGL	BTRS(T)	1.7	1.4	(10)(i) agreement
	BTRS(T)	TWPL	1.2	1.6	(10)(ix) agreement
	LBTL	BTRS(T)	6.6	4.7	(10)(i) agreement
	LRH	BTRS(T)	1.4	0.9	(10)(i) agreement
	TWC	BTG(T)	0.9	1.0	(10)(ii) agreement
	TWC	LRH	2.6	2.2	(10)(ii) agreement
	TWPL	BTRS(T)	6.8	6.5	(10)(i),(ii) agreement
	TWPL	TDC	1.8	1.8	(10)(ii) agreement
	TWPL	TWFP	4.4	4.4	(10)(ii) agreement
	BTPPL	BTG(S)	4.0	-	(10)(xi) agreement
	Other		1.8	1.6	(10) agreements
	Purchase of goods	BTG(T)	BTRS(T)	6.6	3.4
BTG(T)		HSD	4.2	-	(9)(i) agreed basis
BTG(T)		HSE	1.3	-	(9)(i) agreed basis
BTG(T)		JRR	3.2	-	(9)(i) agreed basis
BTG(S)		BTHR	9.1	2.7	(9)(iii) agreed basis
BTG(S)		BTRS	22.7	12.4	(9)(iii) agreed basis
BTG(S)		MA	7.5	0.7	(9)(iii) agreed basis

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy
Purchase of goods	BTG(S)	PTBH	22.8	15.8	(9)(iii) agreed basis
	BTG(S)	VM	13.9	5.6	(9)(iii) agreed basis
	Other		2.9	0.2	(9)(i), (iii) agreed basis
Purchase of Gallery Vouchers	BTG(S)	BTHR	1.7	1.7	(13) agreed basis
	BTG(T)	BTRS(T)	1.4	0.7	(13) agreed basis
	BTG(T)	BTS	1.8	-	(13) agreed basis
	Other		3.5	3.1	(13) agreed basis
Purchase of Spa Vouchers	BTS	LRH	1.4	1.3	(13) agreed basis
	Other		1.9	2.3	(13) agreed basis
Purchase of fixed asset	Other		1.4	-	At net book value
Purchase of office space	TWC	TWPL	150.0	-	At market price
Purchase of hotel units	PTBH	AVCI	41.2	-	(19) agreed basis
Termination of leasehold rights of hotel units	CGL	KRL	29.0	-	(19) agreed basis
Sale of hotel units	LHC	KRL	13.0	-	(19) agreed basis
Rental return on hotel units	CGL	PTBH	8.6	9.2	(11) agreement
Spa service	BTRS(T)	LHC	0.8	0.4	(17) agreed basis
Interest	BTHL	LBTH	14.7	2.0	(16) agreed basis

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

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy
Interest	BGL	LGL	42.0	15.5	(1) agreement
	BTD	LGL	6.5	1.8	(1) agreement
	LBTL	TWRH	1.4	0.7	(1) agreement
	LBTL	LBTH	7.0	-	(16) agreement
	LGL	LRH	65.3	27.5	(1) agreement
	LHC	CGL	5.9	4.8	(1) agreement
	LHC	LRH	8.1	4.7	(1) agreement

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy	
Interest	LRH	LSC	0.8	1.3	(1) agreement	
	LRH	TWPL	-	39.8	(1) agreement	
	LRH	TWRH	48.2	10.0	(1) agreement	
	MCP	TWRH	2.8	1.1	(1) agreement	
	PSD	TWRH	17.6	3.6	(1) agreement	
	TWDC	PSD	14.9	2.7	(1) agreement	
	TWRH	LBTL	2.7	3.2	(1) agreement	
	TWRH	LRH	-	3.9	(1) agreement	
	TWRH	TWPL	68.8	22.5	(1) agreement	
	TWT	TWPL	1.7	0.5	(1) agreement	
	Other		2.0	0.9	(1) agreements	
	Reimbursement of costs	BGL	LHC	4.6	2.4	(2) agreed basis
		BGL	LRH	4.5	3.3	(2) agreed basis
BGL		LSC	0.9	1.5	(2) agreed basis	
BGL		TWDC	-	1.5	(2) agreed basis	
LBC		BGL	-	1.1	(2) agreed basis	
LBC		LRH	3.1	0.9	(2) agreed basis	
LBTL		BTG (T)	1.0	0.9	(2) agreed basis	
LBTL		LGL	4.4	3.5	(2) agreed basis	
LBTL		LRH	1.8	1.6	(2) agreed basis	
LBTL		LSC	1.8	1.2	(2) agreed basis	
LGL		LBTL	3.0	52.2	(2) agreed basis	
LGL		LHC	0.2	1.5	(2) agreed basis	
LGL		TWDC	-	4.7	(2) agreed basis	
LHC		AVCI	0.8	1.4	(2) agreed basis	
LRH		BGL	4.6	1.6	(2) agreed basis	
LRH		LBC	2.3	0.9	(2) agreed basis	
LRH		LBTL	4.3	2.1	(2) agreed basis	
LRH		LGL	1.2	1.6	(2) agreed basis	
LRH		LHC	4.9	2.2	(2) agreed basis	
LRH		LSC	4.1	6.2	(2) agreed basis	
LRH		TWPL	0.3	5.4	(2) agreed basis	
TWDC		LGL	-	3.8	(2) agreed basis	
TWPL		LBTL	3.3	2.7	(2) agreed basis	
TWPL		LHC	4.2	3.5	(2) agreed basis	
TWPL		LRH	9.2	2.7	(2) agreed basis	
Other			8.9	8.0	(2) agreed basis	

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy	
Inter resort charges	BGL	LBC	2.9	2.1	(3) agreed basis	
	BGL	LBTL	4.3	3.2	(3) agreed basis	
	BGL	LRH	2.6	1.9	(3) agreed basis	
	BTG(T)	BGL	1.7	1.2	(3) agreed basis	
	BTG(T)	LBC	1.1	0.9	(3) agreed basis	
	BTG(T)	LBTL	9.2	6.4	(3) agreed basis	
	BTG(T)	LGL	8.4	4.9	(3) agreed basis	
	BTG(T)	TWPL	3.2	3.0	(3) agreed basis	
		LBC	BGL	1.7	1.5	(3) agreed basis
		LBC	LBTL	1.0	0.8	(3) agreed basis
		LBTL	BGL	5.8	5.1	(3) agreed basis
		LBTL	LBC	2.0	0.9	(3) agreed basis
		LBTL	LHC	1.1	-	(3) agreed basis
		LBTL	LRH	2.6	1.6	(3) agreed basis
		LGL	BGL	8.1	4.9	(3) agreed basis
		LGL	LBC	3.6	3.0	(3) agreed basis
		LGL	LBTL	9.9	6.5	(3) agreed basis
		LGL	LRH	5.3	2.6	(3) agreed basis
		LRH	BGL	4.2	3.5	(3) agreed basis
		LRH	LBC	2.8	1.9	(3) agreed basis
	LRH	LBTL	2.5	1.7	(3) agreed basis	
	Other		2.2	1.2	(3) agreed basis	
Credit card commission	Other		1.0	0.7	(4) agreed basis	
Resort service charges	LSC	BGL	48.5	37.2	(6) agreed basis	
	LSC	LBC	25.1	22.3	(6) agreed basis	
	LSC	LBTL	37.8	30.7	(6) agreed basis	
	LSC	LGL	7.9	6.8	(6) agreed basis	
	LSC	LHC	5.5	1.8	(6) agreed basis	
	LSC	LRH	31.4	25.0	(6) agreed basis	
	LSC	TWDC	1.5	0.7	(6) agreed basis	
		Other		0.7	0.2	(6) agreed basis
Management fees	LRH	BGL	4.5	4.8	(7) agreement	
	LRH	LBTL	8.3	33.1	(7) agreement	
	LRH	LHC	11.0	-	(7) agreement	
	LRH	TWPL	7.3	4.9	(7) agreement	

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy	
Rent and service	BTD	BGL	3.7	3.5	(10)(v) agreement	
	BTD	LBTL	7.1	6.8	(10)(v) agreement	
	BTD	LGL	2.1	2.0	(10)(vi) agreement	
	LBC	BTG(T)	1.4	1.4	(10)(viii) agreement	
	LBTL	BTG(T)	1.4	0.9	(10)(i) agreement	
	LGL	LBTL	5.7	4.8	(10)(i), (v) agreement	
	LRH	LGL	2.0	1.3	(10)(iii) agreement	
	LRH	LHC	4.7	4.0	(10)(iii) agreement	
	LSC	BGL	1.2	0.6	(10)(iv), (xii) agreement	
	L1	LBC	2.7	2.6	(10)(v) agreement	
	L3	LBTL	1.8	1.7	(10)(v) agreement	
	PKRD	LRH	1.0	1.0	(10)(v) agreement	
	TWPL	LHC	2.4	2.6	(10)(ii) agreement	
	TWPL	LRH	7.1	6.3	(10)(ii) agreement	
	TWT	TWPL	5.0	5.0	(10)(vii) agreement	
	TWT2	TWPL	2.6	2.6	(10)(x) agreement	
	Other		7.7	8.9	(10) agreements	
	Guarantee fee	BGL	LRH	2.9	-	(15) agreed basis
		BT1	LRH	1.3	-	(15) agreed basis
BTD		LBTL	2.5	-	(15) agreed basis	
BTD		LRH	4.7	-	(15) agreed basis	
L3		LRH	1.1	-	(15) agreed basis	
LBTL		LRH	1.9	-	(15) agreed basis	
LGL		LBTL	2.2	-	(15) agreed basis	
LGL		LRH	3.7	-	(15) agreed basis	
LRH		LBTL	7.4	-	(15) agreed basis	
TWT		TWPL	1.9	2.9	(15) agreed basis	
Other			5.4	-	(15) agreed basis	
Purchase of goods	BTG(S)	BTG(T)	7.8	4.6	(9)(ii) agreed basis	
	BTG(T)	BTG(S)	16.3	18.6	(9)(ii) agreed basis	
	BTG(T)	LBTH	3.1	-	(9)(i), (iii) agreed basis	
	BTG(T)	LBTL	16.4	6.7	(9)(i), (iii) agreed basis	
	BTG(T)	LHC	2.2	0.6	(9)(i), (iii) agreed basis	
	BTG(T)	TWPL	6.7	3.8	(9)(i), (iii) agreed basis	
	Other		0.9	0.3	(9)(i), (iii) agreed basis	

(Unit: Million Baht)

	Payee	Payer	2006	2005	Transfer Pricing policy
Purchase of investment	TWPL	TWT	-	323.4	At net book value
	TWRH	LBTL	-	30.9	At net book value
	Other		0.2	-	At net book value
Purchase of land	BT3	LHC	-	4.2	(14) Land Purchase Agreement
	BT3	TWPL	-	7.5	(14) Land Purchase Agreement
	BT4	TWPL	-	9.1	(14) Land Purchase Agreement
	LGL	LHC	8.6	-	(14) Land Purchase Agreement
	LGL	LRH	13.5	-	(14) Land Purchase Agreement
	LGL	TWRH	27.6	-	(14) Land Purchase Agreement
	PKRD	TWPL	-	3.5	(14) Land Purchase Agreement
	Other		0.8	-	(14) Land Purchase Agreement
Purchase of Gallery Vouchers	BTG(T)	LRH	1.6	1.8	(13) agreed basis
	BTG(T)	TWPL	1.0	0.9	(13) agreed basis
	Other		3.0	1.9	(13) agreed basis
Purchase of water	LGL	LSC	2.6	2.3	(12) agreed basis
Purchase of books	Other		0.4	0.5	At cost plus margin
Dividend income	LGL	BTD	60.0	-	
	LHC	LGL	81.1	-	
	LRH	L3	2.5	-	
	LRH	LBC	6.7	3.3	
	LRH	LBTL	102.9	-	
	LRH	LGL	765.6	-	
	LRH	LHC	396.0	-	
	LRH	TWRH	150.0	-	
	MCP	LGL	33.3	-	
	TWRH	LBC	33.3	16.7	
	TWRH	LBTL	107.1	-	

LRH : Laguna Resorts & Hotels Plc.

#### Subsidiaries

AVCI : PT. AVC Indonesia

BGL : Bangtao Grande Ltd.

BT3 : Bangtao (3) Ltd.

BT4 : Bangtao (4) Ltd.

BTD : Bangtao Development Ltd.

BTG(S) : Banyan Tree Gallery (Singapore) Pte Ltd.  
 BTG(T) : Banyan Tree Gallery (Thailand) Ltd.  
 CGL : Cheer Golden Ltd.  
 LBC : Laguna Beach Club Ltd.  
 LBTH : Lijiang Banyan Tree Hotel Co., Ltd.  
 LBTL : Laguna Banyan Tree Ltd.  
 LGL : Laguna Grande Ltd.  
 LHC : Laguna Holiday Club Ltd.  
 LSC : Laguna Service Co., Ltd.  
 L1 : Laguna (1) Ltd.  
 L3 : Laguna (3) Ltd.  
 MCP : Mae Chan Property Co., Ltd.  
 PKRD : Phuket Resort Development Ltd.  
 PSD : Pai Samart Development Co., Ltd.  
 TWDC : Twin Waters Development Co., Ltd.  
 TWPL : Thai Wah Plaza Ltd.  
 TWRH : TWR - Holdings Ltd.  
 TWT : Thai Wah Tower Co., Ltd.  
 TWT2 : Thai Wah Tower (2) Co., Ltd.

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

BTHL : Banyan Tree Holdings Ltd.  
 BTHR : Banyan Tree Hotels and Resorts Pte Ltd.  
 BTR : Banyan Tree Resorts Ltd.  
 BTRS : Banyan Tree Resorts (Seychelles) Ltd.  
 BTPPL : Banyan Tree Properties Pte Ltd.  
 BTRS(T) : Banyan Tree Resorts & Spas (Thailand) Co.,Ltd.  
 BTS : Banyan Tree Spas Pte Ltd.  
 HSD : Heritage Spa Dubai LLC  
 HSE : Heritage Spas Egypt LLC  
 JRR : Jiwa Renga Resorts Ltd.  
 KRL : Kingley Realty Ltd.  
 MA : Maldives Angsana Pvt Ltd.  
 PTBH : PT. Bintan Hotels  
 TDC : Tapioca Development Corporation Ltd.  
 TWC : Thai Wah Plc.  
 TWFP : Thai Wah Food Products Plc.

VM : Vabbinvest Maldives Pvt Ltd.  
WYLH : Wah Yue Leisure Health (Shanghai) Co., 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, except for loans to LBTH which are denominated in US dollars as in (16) below. The Baht loans carry interest at a rate equal to the lenders' borrowing costs per annum (based upon commercial bank's interest rates) plus a margin of 1.1%. Prior to 1 July 2005 loans made by the Laguna Holiday Club Ltd. to other subsidiaries, were charged at interest rate of 6% 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 is 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's 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% to 4% 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% to 10% 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 relates to revenue of Laguna Service Co., Ltd. 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
  - Common area services, transportation charges, computer training centre and staff buses : based on actual cost
  - Marketing fee : at the rate of 1% of the hotel operations' budgeted revenue (2005: 1% 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% of the actual or budgeted costs of the project and the contracted fee for architectural services at a rate of 6.5% of construction for the first Baht 10 million, 5.5% of construction cost between Baht 10 million and 30 million, 4.75% of construction cost between Baht 30 million and 50 million, 4.5% of construction cost between Baht 50 million and 100 million, 4.25% of construction cost between Baht 100 million and 200 million, 3.75% of construction cost between Baht 200 million and 500 million and 3.4% of construction cost above Baht 500 million.
- (8) The terms of the operating agreements are disclosed in note 27. The payments terms of the contracts are as follows:
- (i) The management contract of the Banyan Tree Phuket pays a basic management fee of 2% of total revenue and an incentive fee of 7.5% 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% of total revenue and an incentive fee of 10% of gross operating profit.

- (iii) The management contract of the Banyan Tree Bangkok and Banyan Tree Lijiang pay a basic management fee of 3% of total revenue, an incentive fee of 10% of gross operating profit.
- (iv)- 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% of the budgeted revenues of the hotels.
  - Reservation Service fees are 1% of room revenue plus USD 10 per reservation transaction.

All management fees are consistent with industry practice and the sharing of group marketing costs incurred by LBTL, LBTH 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 are priced at a 15% to 45% discount to the retail price.
  - (ii) Sale of goods from BTG (T) to BTG (S) is priced at cost plus a handling fee of 5%. 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 is priced at cost plus 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% to 8.5% 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 332 to Baht 498 per square metre per month.
  - (iv) Rental of central storage was charged at Baht 300 per square metre per month.
  - (v) 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 from Jan 2005 increasing by 5% per annum.
  - (vi) Rental of land on which Laguna Phuket Golf Club is located at Baht 8,500 per rai per annum.
  - (vii) Rental of office building units is on the basis of Baht 5 million per annum.
  - (viii) Rental on hotel premises is on the basis of Baht 937 per square metre per month.
  - (ix) Rental and service fee for the fitness center located at the Banyan Tree Spa Bangkok is at the rate of Baht 348 per square metre per month.
  - (x) Rental of land on which hotel premises are located is on the basis of Baht 2.6 million per annum.
  - (xi) Rental and service fee for Banyan Tree Gallery (Singapore) is at the rate of S\$ 2.94 per square feet per month.
  - (xii) The air conditioning rental fee related to the use of LSC's marquee which is on the basis of Baht 7,600 per bay and Baht 2,000 per hour.
- (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% 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 Chiangmai and Phuket was made among 100% owned subsidiaries and was set at a level based on the official Land Department valuation.
- (15) Guarantee fee among group companies for permitting their assets to be pledged as collateral for other related companies' bank loans by charging on 1% of proportion of value of pledged assets to total loan facilities (2005: 1% of the net book value of pledged assets).
- (16) Loans have been provided to LBTH to fund the construction of the Banyan Tree Lijiang which are denominated in US dollars. The loans are long-term loans which carry interest at rates of 6% and 7.25% per annum and are repayable within 24 months and 8 years after the first drawdown respectively.
- (17) This relates to the purchase of Spa vouchers by LHC from BTRS(T) which are priced at a 40% discount to the Spa price list.
- (18) Sale of goods from BTG(S) to other related companies which are entitled to a monthly commission of 5% of the monthly aggregate of all revenues and income derived directly from the sale of goods consigned by BTG(S) to be sold at the outlets.
- (19) These transactions relate to the restructuring of ownership of units held by the group in the Angsana Resort & Spa Bintan, Indonesia. The units were originally purchased by CGL and LHC. However, due to the commencement of Laguna Holiday Club's Bintan operations during the year, the ownership of the units were transferred to AVCI who is performing the local operations. The price are based on market price.

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)	
	<u>31 December 2006</u>	<u>31 December 2005</u>
Long-term loan facilities	780.0	780.0
Short-term loan facilities	-	192.0
Clean bill facilities	-	63.0
Overdrafts and bank guarantee facilities	105.7	131.7
Forward exchange contract	177.6	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)	
	<u>31 December 2006</u>	<u>31 December 2005</u>
Long-term loan facilities	1,220.0	2,820.0
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)			
	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Subsidiaries</b>				
Laguna Grande Ltd.	-	-	956,266	359,841
Laguna Service Co., Ltd.	-	-	374,448	928,521
Bangtao Grande Ltd.	-	-	2,554,804	2,950,072
Laguna Banyan Tree Ltd.	-	-	1,769,678	7,307,235
Laguna Beach Club Ltd.	-	-	2,043,791	653,876
Laguna Holiday Club Ltd.	-	-	5,292,347	443,955
TWR-Holding Ltd.	-	-	7,756,981	3,116,734
Thai Wah Tower (2) Co., Ltd.	-	-	7,039,099	5,276,655
Others	-	-	627,325	496,873
	<u>-</u>	<u>-</u>	<u>28,414,739</u>	<u>21,533,762</u>

	(Unit: Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Related companies</b>				
Banyan Tree Resorts & Spas (Thailand) Co., Ltd.	2,169,340	2,965,361	-	-
Banyan Tree Spas Japan	670,641	-	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	2,362,913	1,765,558	381,456	1,232,187
Banyan Tree (Private) Limited (Sri Lanka)	4,002,593	-	-	-
Banyan Tree Spa Singapore Pte Ltd	790,603	-	-	-
Banyan Tree Holdings Pte Ltd.	37,933	38,636	-	-
Vabbinvest Maldives Pvt Ltd.	1,588,537	1,497,773	45,998	-
Banyan Tree Resorts (Seychelles) Ltd.	5,940,868	3,798,095	36,722	391,824
Maldives Angsana Pvt Ltd.	261,911	431,087	-	-
PT Bintan Hotels - Angsana Bintan	4,102,450	5,185,203	-	-
PT Bintan Hotels -- Banyan Tree Bintan	2,325,493	3,649,687	-	-
Jiwa Renga Resorts Ltd	3,569,137	-	-	-
Heritage Spas Dubai LLC	4,034,006	-	-	-
Banyan Tree Resorts Ltd.	1,092,299	391,824	1,092,299	-
Banyan Tree Resorts (Australia) Pty Ltd.	111,297	2,968,573	-	-
Others	196,742	1,772,537	33,715	5,290
	<u>33,256,763</u>	<u>24,464,334</u>	<u>1,590,190</u>	<u>1,629,301</u>
<b>Total</b>	<u><u>33,256,763</u></u>	<u><u>24,464,334</u></u>	<u><u>30,004,929</u></u>	<u><u>23,163,063</u></u>

### 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 December 2005	Addition	Repayment	31 December 2006
Laguna (3) Ltd.	1,500,000	3,000,000	-	4,500,000
Laguna Service Co., Ltd.	25,000,000	-	(25,000,000)	-
TWR-Holding Ltd.	578,000,000	972,500,000	(418,000,000)	1,132,500,000
<b>Total</b>	<u>604,500,000</u>	<u>975,500,000</u>	<u>(443,000,000)</u>	<u>1,137,000,000</u>

## Amounts due to related companies

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Subsidiaries</b>				
Laguna Service Co., Ltd.	-	-	5,899,522	4,063,382
Laguna Grande Ltd.	-	-	11,315,492	4,202,843
Bangtao Grande Ltd.	-	-	1,064,142	1,451,996
Laguna Banyan Tree Ltd.	-	-	907,507	882,725
Thai Wah Plaza Ltd.	-	-	1,753,460	1,975,702
TWR-Holding Ltd.	-	-	4,070,700	-
Laguna Holiday Club Ltd.	-	-	1,210,206	218,373
Others	-	-	739,220	868,125
	-	-	26,960,249	13,663,146
<b>Related companies</b>				
Banyan Tree Spa Co., Ltd.	-	10,474,800	-	1,823,676
Banyan Tree Resorts & Spa (Thailand) Co., Ltd.	12,535,585	-	583,516	-
Banyan Tree Properties Pte Ltd.*	632,194	750,650	-	-
Banyan Tree Hotels and Resorts Pte Ltd.	42,477,220	40,843,339	40,213	48,707
Angsana City Club Taichung	-	107,393	-	-
Banyan Tree Holdings Pte Ltd.	37,045,012	3,454,965	15,507,833	-
PT Bintan Hotels - Angsana Bintan	2,903,300	-	-	-
Jiwa Renga Resorts Ltd.	658,896	-	-	-
Banyan Tree Spa Shanghai	-	3,645,694	-	-
Thai Wah Food Products Plc.	-	3,672,595	-	-
Others	443,613	451,892	49,367	-
	96,695,820	63,401,328	16,180,929	1,872,383
Total	96,695,820	63,401,328	43,141,178	15,535,529

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

## Long-term loans from subsidiaries

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

(Unit: Baht)

	THE COMPANY ONLY			
	31 December 2005	Addition	Repayment	31 December 2006
Laguna Grande Ltd.	822,250,000	619,000,000	(893,000,000)	548,250,000
Laguna Holiday Club Ltd.	65,500,000	512,000,000	(569,000,000)	8,500,000
Wenco - Thai Ltd.	3,000,000	-	(3,000,000)	-
Total	890,750,000	1,131,000,000	(1,465,000,000)	556,750,000

### Long-term loans from related company

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

#### Related company

(Unit: Baht)

	CONSOLIDATED			
	31 December 2005	Addition	Exchange rate adjustment	31 December 2006
Banyan Tree Holdings Pte Ltd.	180,252,794	214,033,605	22,163,228	416,449,627

### Directors and management's remuneration

In 2006 the Company and its subsidiaries paid salaries, meeting allowances and gratuities to their directors amounting to Baht 5.49 million and management amounting to Baht 146.21 million totaling Baht 151.7 million (The Company only: Baht 88.7 million) (2005: Baht 102.4 million, The Company only: Baht 51.45 million).

### 8. INVENTORIES

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Food and beverage	37,958,569	29,553,046	3,790,225	4,045,943
Finished goods and supplies	124,791,764	124,975,586	15,573,244	13,381,742
	162,750,333	154,528,632	19,363,469	17,427,685
Less: Allowance for stock obsolescence	(4,435,965)	(9,918,129)	-	-
Inventories - net	158,314,368	144,610,503	19,363,469	17,427,685



## 9. PROPERTY DEVELOPMENT COST

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Property for sale under holiday club memberships	424,503,533	12,496,438	-	-
Completed buildings	87,197,876	47,162,038	-	-
Land	14,398,782	5,677,591	13,516,388	-
Property under construction	158,731,584	244,600,638	16,123,234	-
	684,831,775	309,936,705	29,639,622	-
Less: Allowance for diminution in market value of property under construction	(91,417,649)	(91,417,649)	-	-
Property development cost – net	593,414,126	218,519,056	29,639,622	-

## 10. OTHER CURRENT ASSETS

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Value added tax	35,893,581	31,089,526	7,678,064	5,949,696
Prepaid expenses and withholding tax	51,458,594	29,718,759	10,969,514	4,806,964
Advance to suppliers and staff	214,317,849	145,424,111	53,369,272	2,994,138
Loan to subsidiaries shareholders	2,550,000	2,550,000	-	-
Forward exchange contract	97,839,100	-	89,982,538	-
Interest receivable	12,287,296	736,694	-	-
Others	6,937,286	1,696,175	77,131	151,311
Total	421,283,706	211,215,265	162,076,519	13,902,109

## 11. LONG-TERM TRADE ACCOUNTS RECEIVABLE

Long-term trade accounts receivable consists of:

- 11.1 Secured financing provided to customers of property sales which are mainly denominated in United States Dollars and bear interest at a rate of 5% per annum over the Singapore Inter Bank Offered Rate (SIBOR). The loan periods vary from 5 to 15 years.

11.2 Installments receivable from property sales which bear interest at a rate of 9% and 12% 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 - 2006		
	Loan <u>receivable</u>	Installment <u>receivable</u>	<u>Total</u>	
Within one year (Note 6)	4,001,301	88,303,290	92,304,591	
Between 2 - 4 years	7,926,446	35,950,498	43,876,944	
Between 5 years and after	1,291,764	-	1,291,764	
Long-term trade accounts receivable	<u>9,218,210</u>	<u>35,950,498</u>	<u>45,168,708</u>	
Total (Note 6)	<u>13,219,511</u>	<u>124,253,788</u>	<u>137,473,299</u>	(Unit: Baht)
		CONSOLIDATED - 2005		
	Loan <u>receivable</u>	Installment <u>receivable</u>	<u>Total</u>	
Within one year (Note 6)	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	<u>16,477,336</u>	<u>18,754,353</u>	<u>35,231,689</u>	
Total (Note 6)	<u>26,165,802</u>	<u>35,048,206</u>	<u>61,214,008</u>	

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

	THE COMPANY ONLY							
	Paid-up share capital		Cost		Carrying amounts based on the equity method		Dividend	
	2006	2005	2006	2005	2006	2005	2006	2005
	Million Baht	Million Baht	Million Baht	Million Baht	Baht	Baht	Million Baht	Million Baht
TWR - Holdings Ltd.	1,250.0	1,250.0	1,250.0	1,250.0	1,112,543,357	1,172,899,890	150.0	-
<b>Subsidiaries held through TWR - Holdings Ltd.</b>								
Pai Samart Development Co., Ltd.	28.4	28.4	-	-	(36,763,136)	(39,039,444)	-	-
Mae Chan Property Co., Ltd.	232.3	232.3	-	-	(361,414,088)	(357,379,315)	-	-
Phuket Resort Development Ltd.	41.4	41.4	-	-	193,641,728	191,866,074	-	-
Laguna Banyan Tree Ltd.#	500.0	500.0	835.1	835.1	649,870,115	546,684,653	102.9	-
Laguna Beach Club Ltd. ##	200.0	200.0	85.0	85.0	407,990,255	387,245,329	6.7	3.3
Laguna (1) Ltd.	15.0	15.0	-	-	108,728,089	107,863,276	-	-
PT AVC Indonesia	USD 0.7 million	USD 0.7 million	-	-	(19,924,737)	(2,181,846)	-	-
Talang Development Co., Ltd.	251.0	251.0	-	-	3,204,299	3,230,054	-	-
Lijiang Banyan Tree Hotel Co., Ltd.	USD 14.9 million	USD 16.9 million	-	-	(104,342,476)	(1,000,619)	-	-
Twin Waters Development Co., Ltd.	214.4	214.4	-	-	293,520,742	290,439,453	-	-
Thai Wah Plaza Ltd.	1,500.0	1,500.0	-	-	68,693,321	(118,526,274)	-	-
Thai Wah Tower Co., Ltd.	455.0	455.0	-	-	(4,865,356)	(2,799,642)	-	-
Thai Wah Tower (2) Co., Ltd.	21.0	21.0	-	-	3,364,381	1,540,318	-	-
Laguna Excursions Ltd.	5.0	5.0	-	-	(541,134)	(35,060)	-	-
Laguna Grande Ltd.	1,000.0	1,000.0	914.4	914.4	2,007,995,105	2,493,014,281	765.6	-
<b>Subsidiaries held through Laguna Grande Ltd.</b>								
Bangtao (1) Ltd.	20.9	20.9	-	-	73,048,206	71,385,455	-	-
Bangtao (2) Ltd.	19.1	19.1	-	-	101,384,584	99,908,386	-	-
Bangtao (3) Ltd.	7.8	7.8	-	-	46,214,754	45,717,784	-	-
Bangtao (4) Ltd.	14.6	14.6	-	-	153,343,508	152,032,711	-	-
Bangtao Development Ltd.	80.0	80.0	-	-	1,140,376,907	1,097,892,899	-	-
Laguna Central Ltd.	1.0	1.0	-	-	(294,434)	(110,962)	-	-
Bangtao Grande Ltd.	1,546.0	1,546.0	-	-	810,701,750	699,801,587	-	-
<b>Other subsidiaries</b>								
Laguna Service Co., Ltd.*	90.5	90.5	22.4	22.4	44,512,432	29,747,647	-	-
Banyan Tree Gallery (Thailand) Ltd.	7.8	7.8	4.0	4.0	57,307,899	53,178,704	-	-
Wenco - Thai Ltd.***	-	1.0	-	0.5	-	1,690,761	-	-
Laguna Holiday Club Ltd.	330.0	330.0	330.0	330.0	420,285,678	614,813,713	396.0	-
Banyan Tree Gallery (Singapore) Pte Ltd.	SGD 0.43 million	SGD 0.43 million	4.0	4.0	39,342,387	28,799,877	-	-
Laguna (3) Ltd.	0.1	0.1	46.4	46.4	143,920,642	144,388,736	2.5	-
Cheer Golden Ltd.	-	-	-	-	(8,924,937)	(8,425,454)	-	-
<b>Total investments in subsidiaries</b>			<b>3,491.3</b>	<b>3,491.8</b>	<b>7,342,919,921</b>	<b>7,704,642,972</b>	<b>1,423.7</b>	<b>3.3</b>

(# Laguna Banyan Tree Ltd. is held 49% by the Company and 51% through TWR - Holdings Ltd.)

(## Laguna Beach Club Ltd. is held 10% by the Company and 50% through TWR - Holdings Ltd.)

(### Wenco-Thai Ltd. is held 51% by the Company and 49% through TWR-Holdings Ltd.)

(\* Laguna Services Co., Ltd. is held by the Company and 3 subsidiaries)

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

The Company has a 49 percent shareholding in Laguna Excursions Ltd. However, the Company has recognized its share of the income of this subsidiary at 100 percent in accordance with the income sharing percentage in the Articles of Association.

On 5 January 2006, Laguna Banyan Tree Ltd., a subsidiary, injected additional paid up share capital to Lijiang Banyan Tree Hotel Co., Ltd. amounting to US dollars 2.8 million, which was in proportion to its 70 percent interest in that company.

A resolution of the extraordinary meeting of the shareholders of Wenco-Thai Limited was held on 14 September 2006 which authorised its dissolution, and registered its dissolution with the Ministry of Commerce on 11 October 2006.

As at 31 December 2006 and 2005, the 2,450,000 ordinary shares of Laguna Banyan Tree Ltd. have been pledged with a bank to secure a long-term loan of the Company.

As at 31 December 2006 and 2005, the 10,188,203 ordinary shares of Thai Wah Plaza Ltd. 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)		
	<u>Goodwill</u>	<u>Negative Goodwill</u>	<u>Total</u>
<b>Cost:</b>			
As at 31 December 2005	563,147,440	(531,923,520)	31,223,920
As at 31 December 2006	563,147,440	(531,923,520)	31,223,920
<b>Accumulated amortisation:</b>			
As at 31 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 December 2005	(123,440,879)	113,033,748	(10,407,131)
Charge for the year	(27,107,402)	26,596,177	(511,225)
As at 31 December 2006	(150,548,281)	139,629,925	(10,918,356)
<b>Net book value:</b>			
As at 31 December 2005	439,706,561	(418,889,772)	20,816,789
As at 31 December 2006	412,599,159	(392,293,595)	20,305,564

Amortisation of goodwill is included in "Selling and administrative expenses" in the income statements. Amortisation of negative goodwill is included in "Other income" in the income statements.

### 13. INVESTMENT IN ASSOCIATED COMPANY

(Unit: Baht)

	CONSOLIDATED							
	Paid-up share capital		Percentage of holding		Cost		Carrying amounts based on the equity method	
	2006	2005	2006	2005	2006	2005	2006	2005
	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.

### 14. OTHER LONG-TERM INVESTMENTS

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Investment in available-for-sale securities</b>				
Thai Wah Plc.	50,829,795	29,499,600	23,850,000	23,850,000
Addition	-	21,330,195	-	-
Unrealised loss on investment	(28,856,095)	(28,856,095)	(10,176,599)	(10,176,599)
Investment, at market price	21,973,700	21,973,700	13,674,001	13,674,001
<b>Investments in other companies</b>				
TRL Investment Ltd.	188,424,686	188,424,686	-	-
Tropical Resorts Ltd	1,000	1,000	-	-
Total investments in other companies	188,425,686	188,425,686	-	-
<b>Total</b>	210,399,386	210,399,386	13,674,001	13,674,001

## 15. PROPERTY, PLANT AND EQUIPMENT

### CONSOLIDATED

#### Assets carried at cost

	(Unit: Baht)											
	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
<b>At cost</b>												
As at 31 December 2005	2,173,040,619	4,158,523,141	2,838,495,456	210,350,026	9,380,409,242	163,361,853	283,170,454	14,386,611	324,823,801	92,431,954	900,302,757	11,158,886,672
Additions	23,843,501	179,554,212	100,729,195	37,465,277	341,592,185	3,666,380	23,630	440,566	37,569,341	27,186,687	1,376,792,017	1,787,270,806
Transfers in/out	-	938,990,213	352,626,218	28,111,705	1,319,728,136	20,189,303	448,975	-	80,608	2,203,205	(1,342,650,227)	-
Disposals and adjustments	(14,884,732)	4,093	(16,057,697)	(9,630,035)	(40,568,371)	750,649	-	(174,188)	(10,648,638)	(83,640)	(269,618,159)	(320,342,347)
As at 31 December 2006	2,181,999,388	5,277,071,659	3,275,793,172	266,296,973	11,001,161,192	187,968,185	283,643,059	14,652,989	351,825,112	121,738,206	664,826,388	12,625,815,131
<b>Accumulated depreciation</b>												
As at 31 December 2005	(23,658,888)	(966,598,799)	(2,296,771,376)	(137,287,448)	(3,424,316,511)	(42,465,634)	(282,894,339)	(6,435,839)	(246,277,099)	(65,981,242)	-	(4,068,370,664)
<b>Depreciation charged</b>												
for the year	-	(95,294,020)	(235,921,214)	(21,966,005)	(353,181,239)	(5,790,753)	(140,095)	(830,455)	(29,949,130)	(11,442,507)	-	(401,334,179)
Disposals and adjustments	-	302,437	9,541,258	11,449,791	21,293,486	-	-	174,184	9,885,179	135,374	-	31,488,223
As at 31 December 2006	(23,658,888)	(1,061,590,382)	(2,523,151,332)	(147,803,662)	(3,756,204,264)	(48,256,387)	(283,034,434)	(7,092,110)	(266,341,050)	(77,288,375)	-	(4,438,216,620)
<b>Net book value - At cost</b>												
As at 31 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	7,090,516,008
As at 31 December 2006	2,158,340,500	4,215,481,277	752,641,840	118,493,311	7,244,956,928	139,711,798	608,625	7,560,879	85,484,062	44,449,831	664,826,388	8,187,598,511

**CONSOLIDATED (Continued)**  
**Assets carried at revalued amount**

(Unit: Baht)

	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
<b>Revaluation portion</b>												
As at 31 December 2005	1,783,356,318	666,335,739	652,005,788	-	3,101,697,845	-	-	-	-	-	-	3,101,697,845
Disposals and adjustments	(61,810,616)	-	-	-	(61,810,616)	-	-	-	-	-	-	(61,810,616)
As at 31 December 2006	1,721,545,702	666,335,739	652,005,788	-	3,039,887,229	-	-	-	-	-	-	3,039,887,229
<b>Accumulated depreciation</b>												
As at 31 December 2005	-	(253,817,676)	(453,040,946)	-	(706,858,622)	-	-	-	-	-	-	(706,858,622)
Depreciation charged for the year	-	(19,080,782)	(22,825,919)	-	(41,906,701)	-	-	-	-	-	-	(41,906,701)
Disposals and adjustments	-	5,498,018	(7,215,391)	-	(1,717,373)	-	-	-	-	-	-	(1,717,373)
As at 31 December 2006	-	(267,400,440)	(483,082,256)	-	(750,482,696)	-	-	-	-	-	-	(750,482,696)
<b>Net book value – revaluation portion</b>												
As at 31 December 2005	1,783,356,318	412,518,063	198,964,842	-	2,394,839,223	-	-	-	-	-	-	2,394,839,223
As at 31 December 2006	1,721,545,702	398,935,299	168,923,532	-	2,289,404,533	-	-	-	-	-	-	2,289,404,533
<b>Property, plant and equipment – net</b>												
As at 31 December 2005	3,932,738,049	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	9,485,355,231
As at 31 December 2006	3,879,886,202	4,614,416,576	921,565,372	118,493,311	9,534,361,461	139,711,798	608,625	7,560,879	85,484,062	44,449,831	664,826,388	10,477,003,044
<b>Depreciation charges in income statements</b>												
2005												345,280,429
2006												401,334,179

**THE COMPANY ONLY****Asset carried at cost**

(Unit: Baht)

	Land and Improvement	Land 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 process	Total
<b>At cost</b>										
As at 31 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
Additions	2,144,864	976,376	11,319,219	6,563,924	21,004,383	886,011	5,917,317	1,243,625	54,707,126	83,758,462
Transfers in/out	-	27,585,776	50,118,751	7,352,820	85,057,347	-	-	2,128,305	(87,185,652)	-
Adjustment	(168,814)	-	(4,272,388)	4,129,903	(311,299)	-	(188,768)	-	-	(500,067)
As at 31 December 2006	98,931,367	178,532,787	337,178,857	94,389,412	709,032,423	108,711,114	46,473,225	11,275,543	12,086,648	887,578,953
<b>Accumulated depreciation</b>										
As at 31 December 2005	(23,658,888)	(75,032,574)	(232,292,546)	(61,464,510)	(392,448,518)	(28,674,707)	(25,200,368)	(6,513,207)	-	(452,836,800)
Depreciation charged for the year	-	(4,733,506)	(18,121,859)	(6,382,008)	(29,237,373)	(4,195,065)	(5,371,714)	(758,523)	-	(39,562,675)
Disposals/adjustment	-	-	-	79,952	79,952	-	141,245	-	-	221,197
As at 31 December 2006	(23,658,888)	(79,766,080)	(250,414,405)	(67,766,566)	(421,605,939)	(32,869,772)	(30,430,837)	(7,271,730)	-	(492,178,278)
<b>Net book value - At cost</b>										
As at 31 December 2005	73,296,429	74,938,061	47,720,729	14,878,255	210,833,474	79,150,396	15,544,308	1,390,406	44,565,174	351,483,758
As at 31 December 2006	75,272,479	98,766,707	86,764,452	26,622,846	287,426,484	75,841,342	16,042,388	4,003,813	12,086,648	395,400,675



**THE COMPANY ONLY (Continued)**

**Assets carried at revalued amount**

(Unit: Baht)

	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 process	Total
<b>Revaluation portion</b>										
As at 31 December 2005	230,893,965	356,929,400	169,480,087	-	757,303,452	-	-	-	-	757,303,452
Adjustment	(71,186)	-	-	-	(71,186)	-	-	-	-	(71,186)
As at 31 December 2006	230,822,779	356,929,400	169,480,087	-	757,232,266	-	-	-	-	757,232,266
<b>Accumulated depreciation</b>										
As at 31 December 2005	633,096	(174,140,444)	(144,936,826)	-	(318,444,174)	-	-	-	-	(318,444,174)
Depreciation charged for the year	-	(5,376,146)	(4,804,304)	-	(10,180,450)	-	-	-	-	(10,180,450)
As at 31 December 2006	633,096	(179,516,590)	(149,741,130)	-	(328,624,624)	-	-	-	-	(328,624,624)
<b>Net book value - revaluation portion</b>										
As at 31 December 2005	231,527,061	182,788,956	24,543,261	-	438,859,278	-	-	-	-	438,859,278
As at 31 December 2006	231,455,875	177,412,810	19,738,957	-	428,607,642	-	-	-	-	428,607,642
<b>Property, plant and equipment – net</b>										
As at 31 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 December 2006	306,728,354	276,179,517	106,503,409	26,622,846	716,034,126	75,841,342	16,042,388	4,003,813	12,086,648	824,008,317
<b>Depreciation charges in income statements</b>										
2005										35,597,065
2006										39,562,675

As at 31 December 2006, 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 1,743.0 million. (the Company only: Baht 249.9 million).

### **Property, plant and equipment**

Acquisitions during the year mainly comprise construction in progress for the expansion of existing resort facilities in the Banyan Tree Phuket and the Sheraton Grande Laguna and the new Banyan Tree Lijiang facility in China.

Transfers out during the year mainly comprise completed construction in progress including a number of Banyan Tree Phuket Pool Villas which are being sold to property investors.

The hotel properties and land were reappraised by an independent professional appraisal company in its report dated 1 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 December 2006, a land area of approximately 1,073 Rai (2005: 1,024 Rai), at the fair value of Baht 3,437 million (2005: Baht 3,168 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.

### **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 November 2004.

As at 31 December 2006 and 2005, 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.

## 16. LEASEHOLD RIGHTS

	(Unit: Baht)		
	<u>Land</u>	<u>Hotel units</u>	<u>Total</u>
<b>Cost</b>			
As at 31 December 2004	35,339,764	100,284,350	135,624,114
Exchange rate adjustment 2005	2,969,154	4,504,847	7,474,001
As at 31 December 2005	38,308,918	104,789,197	143,098,115
Disposal	-	(25,345,030)	(25,345,030)
Exchange rate adjustment 2006	(4,961,752)	(10,489,962)	(15,451,714)
As at 31 December 2006	33,347,166	68,954,205	102,301,371
<b>Accumulated amortisation</b>			
As at 31 December 2004	589,000	10,379,000	10,968,000
Amortisation of 2005	920,470	5,404,530	6,325,000
As at 31 December 2005	1,509,470	15,783,530	17,293,000
Disposal	-	(5,090,667)	(5,090,667)
Amortisation of 2006	891,129	4,878,968	5,770,097
As at 31 December 2006	2,400,599	15,571,831	17,972,430
<b>Net</b>			
As at 31 December 2005	36,799,448	89,005,667	125,805,115
As at 31 December 2006	30,946,567	53,382,374	84,328,941

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.

## 17. OTHER CURRENT LIABILITIES

	(Unit: Baht)			
	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Accrued expenses	381,279,315	246,793,578	59,912,031	40,874,155
Advance receipts from customers	200,135,982	241,866,530	9,954,988	11,601,413
Other accounts payable	235,615,015	139,887,990	16,104,220	3,586,626
Service charge payable to hotel staff	50,899,571	27,131,055	9,378,838	5,636,698
Value added tax payable	79,380,108	40,692,782	13,116,990	5,191,909
Accrued rental to villa owners	36,809,812	16,741,290	-	-
Forward exchange contract	-	10,996,225	-	2,242,919
Unearned income	1,658,737	25,549,478	-	-

Total

985,778,540

749,658,928

108,467,067

69,133,720

## 18. LONG - TERM LOANS

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Secured	3,728,868,743	3,094,787,743	772,000,000	1,052,000,000
Long-term loans are repayable as follows:				
Within one year	648,597,000	607,929,000	140,000,000	280,000,000
Between one and two years	824,914,000	535,347,000	233,000,000	140,000,000
Between three and five years	1,882,384,000	1,505,345,000	399,000,000	632,000,000
Over five years	372,973,743	446,166,743	-	-
	3,080,271,743	2,486,858,743	632,000,000	772,000,000
Total	3,728,868,743	3,094,787,743	772,000,000	1,052,000,000

Long-term loans consist of the following:

(Unit: Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>The Company</b>				
(1) Baht loan from a bank, with a facility of Baht 800 million, at an interest rate of 5.25% per annum for the first two years and at MLR per annum for the remaining years. On 25 November 2003, MLR was revised to be at a fixed rate at 3.75% per annum with effect from January 2004, repayable quarterly as from March 2002 as follows: Year 2004 - 2006: Baht 50 million per quarter	-	200,000,000	-	200,000,000
(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	772,000,000	852,000,000	772,000,000	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% per annum (revised on 6 November 2003) April 2005 onward: 2% per annum (revised on 31 March 2005)	100,000,000	200,000,000	-	-

	(Unit: Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
(4) Baht loan from a bank, with a facility of Baht 200 million, at an interest rate of 4% per annum for the first three years and MLR less 1% 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% per annum since 31 March 2005)	170,000,000	160,000,000	-	-
(5) Baht loan from a bank, with a facility of Baht 50 million, at an interest rate of 3.5% 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% per annum since 31 March 2005)	6,250,000	31,250,000	-	-
(6) Baht loan from a bank, with a facility of Baht 260 million at an interest rate of MLR less 2% per annum or 3 month fixed deposit rate add 2% per annum whichever is higher repayable quarterly from April 2006 to January 2010	245,000,000	260,000,000	-	-
(7) Baht loan from a bank, with a facility of Baht 600 million at an interest rate of MLR less 2% per annum or 3 month fixed deposit rate add 2% per annum whichever is higher repayable quarterly from September 2006 to June 2011	570,000,000	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% per annum repayable quarterly from October 2006 to January 2009	90,000,000	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% per annum or 3 month fixed deposit rate add 2% per annum whichever is higher repayable quarterly from April 2006 to January 2009	150,000,000	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% per annum or 3 month fixed deposit rate add 2% per annum whichever is higher repayable quarterly from March 2007 to June 2009	100,000,000	2,000,000	-	-
(11) Baht loan from a bank, with a facility of Baht 1,004 million, repayable quarterly from December 2005 to December 2013, at an interest rate which was revised on 1 December 2006 as follow: December 2005 - November 2006: MLR per annum December 2006 - November 2008: MLR less 1% per annum December 2008 - December 2014: MLR less 0.5% per annum	910,608,743	988,537,743	-	-
(12) Baht loan from a bank, with a facility of Baht 300 million at an interest rate of MLR less 1% per annum, repayable quarterly from March 2007 to June 2011	300,000,000	1,000,000	-	-

	(Unit: Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
(13) Baht loan from a bank, with a facility of Baht 220 million, from March 2006 - March 2008 at an interest rate of MLR less 1.5% per annum or 3 month fixed deposit rate plus 2.5% per annum, whichever is higher, from March 2008 to June 2011 at an interest rate of MLR less 1% per annum or 3 month fixed deposit rate plus 2.5% per annum, whichever is higher, repayable quarterly from June 2007 to June 2011	155,010,000	-	-	-
(14) Baht loan from a bank, with a facility of Baht 100 million, repayable quarterly from July 2008 to April 2014, at an interest rate as follow: April 2006 - November 2006: MLR per annum December 2006 - November 2008 : MLR less 1% per annum December 2008 - April 2014 : MLR less 0.5% per annum	100,000,000	-	-	-
(15) Baht of loan from a bank, with a facility of Baht 90 million at an interest rate of MLR less 1% per annum, repayable quarterly from March 2008 to March 2010	60,000,000	-	-	-
<b>Total long-term loans</b>	<b><u>3,728,868,743</u></b>	<b><u>3,094,787,743</u></b>	<b><u>772,000,000</u></b>	<b><u>1,052,000,000</u></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 15. The loan in (1) above is also secured by the pledge of the 2,450,000 ordinary shares of Laguna Banyan Tree Ltd., as described in Note 12, 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 Ltd., as described in Note 12. The loans in (3) to (5), (8) (11) and (15) 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.

## 19. CAPITAL RESERVE

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

## **20. STATUTORY RESERVE**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

## **21. DIRECTORS' REMUNERATION**

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

## **22. EXTRAORDINARY ITEM**

On 26 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 have 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 year 2005.

As a result of the Tsunami and the damage caused, this adversely impacted the level of business activity of the hotel operations of the Company and its subsidiaries for 2005 and part of 2006. 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.



## 23. NUMBER OF EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Number of employees at the end of year	3,755	3,101	573	503
Employee costs for the year (Thousand Baht)	1,132,926	848,473	247,125	209,133

## 24. BASIC EARNINGS PER SHARE

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

## 25. PROVIDENT FUND

The Company and its subsidiaries and their employees have jointly established a provident fund 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.

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

	Fund Manager		Company's contribution in	
	Hotel staff	Office staff	2006	2005
	(Unit: Million Baht)			
Laguna Resorts & Hotels Plc.	MFC Asset Management Plc.	MFC Asset Management Plc.	5.5	4.7
Laguna Grande Ltd.	American International Assurance Co., Ltd.	MFC Asset Management Plc.	1.0	0.9
Bangtao Grande Ltd.	Siam Commercial Bank Plc.	-	2.4	2.1
Laguna Beach Club Ltd.	Bangkok Bank Plc.	Bangkok Bank Plc.	1.8	1.9
Laguna Banyan Tree Ltd.	American International Assurance Co., Ltd.	MFC Asset management Plc.	3.2	2.4
Banyan Tree Gallery (Singapore) Pte Ltd.	-	Central Provident Fund Board	2.2	1.9
Banyan Tree Gallery (Thailand) Ltd.	-	MFC Asset Management Plc.	0.4	0.3
Laguna Service Co., Ltd.	-	MFC Asset Management Plc.	1.6	1.2
Laguna Holiday Club Ltd.	-	MFC Asset Management Plc.	0.8	0.3
Thai Wah Plaza Ltd.	TISCO Assets Management Co., Ltd.	MFC Asset Management Plc.	4.7	2.9

## 26. DIVIDENDS PAID

Dividends declared in 2005 consisted of the following:

		(Unit : Baht)	
		Total	Dividend
		<u>dividends</u>	<u>per share</u>
	<u>Approved by</u>		
Final dividends from 2005 retained earnings	Annual General Meeting of the shareholders on 26 April 2005	<u>169.3 Mil</u>	<u>2.0</u>

## 27. COMMITMENTS

### Capital commitment

As at 31 December 2006, the Company and its subsidiaries have capital commitments as follows:

- a) The Company and its subsidiaries have commitments in respect of constructing new and renovating existing hotel properties amounting to Baht 366.7 million (2005: Baht 1,293.0 million).
- b) Four subsidiaries have commitments that relate to projects to develop properties for sale amounting to approximately Baht 704.4 million (2005: Baht 353.8 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:

<u>Company</u>	<u>Business unit</u>	<u>Operator</u>	<u>Contract period</u>	<u>Fees</u>
Laguna Resorts & Hotels Plc.	Dusit Laguna Resort	Dusit Hotels and Resorts Co., Ltd.	1.10.1992 - 30.9.2012	- Basic management fee : 2% of total revenue - Incentive fee : 5% of gross operating profit
Bangtao Grande Ltd.	Sheraton Grande Laguna Phuket	Sheraton Overseas Management Corporation	11.1.1989 - 31.12.2012 (a)	- Basic management fee : 2% of total revenue - Incentive fee : 7.5% of gross operating profit
Laguna Grande Ltd.	Laguna Phuket Golf Club	Banyan Tree Hotels and Resorts Pte. Ltd.	1.10.1992 - 31.12.2014 (b)	- Basic management fee : 3% of total revenue - Incentive fee : 10% of gross operating profit
Laguna Banyan Tree Ltd.	Banyan Tree Phuket	Banyan Tree Hotels and Resorts Pte. Ltd.	1.5.1995 - 31.12.2015 (c)	- Basic management fee : 2% of total revenue - Incentive fee : 7.5% of gross operating profit
Thai Wah Plaza Ltd.	Banyan Tree Bangkok	Banyan Tree Hotels and Resorts Pte. Ltd.	1.1.2002 - 31.12.2021 (d)	- Basic management fee: 3% of total revenue - Incentive fee: 10% 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 one additional period of 10 years.

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

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

## 28. BANK GUARANTEES

As at 31 December 2006, there were bank guarantees amounting to Baht 43.5 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 (2005: Baht 36.8 million, the Company only: Baht 2.8 million).

## 29. SEGMENT INFORMATION

The Company's segmental financial information, divided between hotel operations, office rental and property development business. These operations are mainly carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries by segment.

(Unit: Million Baht)

	For the year ended 31 December 2006							
	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment revenues	Consolidation
Revenue from external								
Customers	3,217	264	108	3,589	81	2,328	-	5,998
Intersegment revenues	171	42	-	213	14	-	(227)	-
<b>Total revenues</b>	<b>3,388</b>	<b>306</b>	<b>108</b>	<b>3,802</b>	<b>95</b>	<b>2,328</b>	<b>(227)</b>	<b>5,998</b>
Segment income (loss)	528	29	17	574	(9)	1,125	-	1,690
Other income	46	1	-	47	-	22	-	69
Exchange gains (loss)	104	(4)	-	100	-	(12)	-	88
Unallocated expenses:								
Selling and administrative expenses								(282)
Interest expenses								(202)
Corporate income tax								(228)
Minority interest								(22)
<b>Net income</b>								<b>1,113</b>
Property, plant and equipment - net	8,592	11	1,419	10,022	421	34	-	10,477
<b>Total assets</b>	<b>10,841</b>	<b>230</b>	<b>1,477</b>	<b>12,548</b>	<b>314</b>	<b>2,046</b>	<b>-</b>	<b>14,908</b>

(Unit: Million Baht)

For the year ended 31 December 2005

	Hotel Business	Gallery Operations	Others	Total Hotel Operations	Office Rental	Property Development	Elimination of inter-segment Revenues	Consolidation
Revenue from external customers	2,058	168	79	2,305	101	750	-	3,156
Intersegment revenues	117	37	-	154	12	50	(216)	-
Total revenues	<u>2,175</u>	<u>205</u>	<u>79</u>	<u>2,459</u>	<u>113</u>	<u>800</u>	<u>(216)</u>	<u>3,156</u>
Segment income	132	4	11	147	18	259	-	424
Other income	43	-	-	43	-	7	-	50
Exchange gains (loss)	(46)	1	-	(45)	-	6	-	(39)
Unallocated expenses:								
Selling and administrative expenses								(272)
Interest expenses								(138)
Corporate income tax								(47)
Minority interest								(12)
Net loss before extraordinary item								(34)
Extraordinary item								14
Net loss								<u>(20)</u>
Property, plant and equipment - net	<u>7,758</u>	<u>10</u>	<u>1,417</u>	<u>9,185</u>	<u>277</u>	<u>23</u>	<u>-</u>	<u>9,485</u>
Total assets	<u>9,596</u>	<u>193</u>	<u>1,464</u>	<u>11,253</u>	<u>322</u>	<u>1,043</u>	<u>-</u>	<u>12,618</u>

Transfer prices between business segments are as set out in Note 7 to the financial statements.

### 30. FINANCIAL INSTRUMENTS

Significant financial instruments carried in the balance sheet include cash and cash equivalents, cash at banks, trade accounts receivable, loans, investments, short-term and long-term loans.

#### 30.1 Financial risk management policies

The Company is exposed to risks from changes in interest rates and currency exchange rates and risks from nonperformance of contractual obligations by counterparties. The Company uses derivatives, as and when it considers appropriate, to manage such risks. In addition, the Company has a policy to enter into contracts with creditworthy counterparties. Therefore, the Company does not expect any material financial losses to arise as a result of counterparties failing to discharge their obligations as stipulated in the financial instruments.

The accounting policies for derivatives are disclosed in the notes to financial statements regarding significant accounting policies. The Company has no policy to hold or issue derivatives for speculative or trading purposes.

### 30.2 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.

### 30.3 Interest rate risk

The Company and its subsidiaries' exposure to interest rate risk relate primarily to their deposits with financial institutions, long-term trade accounts receivable and bank overdrafts and loans. However, since most of the Company's financial assets and liabilities have floating interest rates or fixed interest rates which are close to the market interest rates, the interest rate risk is expected to be minimal. 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 18).

Significant financial assets and liabilities as at 31 December 2006, classified by type of interest rate are summarised in the table below, with those financial assets and liabilities carrying fixed interest rates further classified based on the contractual repricing or maturity date (whichever is earlier).

	CONSOLIDATED						Fixed Interest rate (% p.a.)
	Fixed interest rates			Floating interest rate	Non- Interest bearing	Total	
	Within 1 year	1-5 years	Over 5 years				
	(Million Baht)						
<b>Financial assets</b>							
Cash equivalents (excluding cash)	44	-	-	1,044	-	1,088	4.25% - 4.5%
Restricted deposits at financial institution	2	-	-	-	-	2	4.25%
Long-term trade accounts receivable	92	36	-	9	-	137	9% and 12% (Note 11)

CONSOLIDATED

	Fixed interest rates					Total	Fixed Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- Interest bearing		
	(Million Baht)						
<b>Financial liabilities</b>							
Short-term loans	637	-	-	-	-	637	2%
Long-term loans from related companies	259	157	-	-	-	416	6%,7.25%
Long-term loans from financial institutions	151	125	-	3,453	-	3,729	2%,3.5%,3.75%,4%

THE COMPANY ONLY

	Fixed interest rates					Total	Fixed Interest rate (% p.a.)
	Within 1 year	1-5 years	Over 5 years	Floating interest rate	Non- Interest bearing		
	(Million Baht)						
<b>Financial assets</b>							
Cash equivalents (excluding cash)	-	-	-	103	-	103	
Long-term loans to Subsidiaries	-	-	-	1,137	-	1,137	-
<b>Financial liabilities</b>							
Short-term loans	415	-	-	-	-	415	2%
Long-term loans from Subsidiaries	-	-	-	557	-	557	-
Long-term loans from financial institutions	-	-	-	772	-	772	-

### 30.4 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 December 2006 are summarised below.

<u>Foreign currency</u>	<u>Amount bought</u>	<u>Forward rate for amount bought</u> (Baht per US dollar)	<u>Maturity</u>
<u>The Company</u>			
US dollar	12.0 million	41.57	USD 1.2 million due quarterly from 31 January 2008 to 30 April 2008 and USD 1.6 million due quarterly 31 July 2008 to 31 October 2009
US dollar	6.8 million	40.03	USD 0.5 million due quarterly from 31 January 2007 to 30 April 2007, USD 1.2 million due quarterly from 31 July 2007 to 31 October 2007 and USD 1.7 million due quarterly from 31 January 2010 to 30 April 2010
<u>A subsidiary</u>			
US dollar	2.5 million	39.32	USD 0.6 million due quarterly from 31 January 2006 to 31 October 2007

### 30.5 Foreign currency assets/liabilities

As at 31 December 2006, the outstanding balances of the Company and its subsidiaries' financial assets and liabilities denominated in foreign currencies are as follow:

(Unit: Thousand)



<u>Foreign currency</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY ONLY</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
US dollar	7,675	638	601	7
Singapore dollar	295	1,251	-	667
Australian dollar	-	14	-	14

### **30.6 Fair value of financial instruments**

Since the majority of the Company's financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

### **31. LITIGATION**

A case was brought to the Administration Court in which the Company and four subsidiaries were 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. The land titles in question were issued well before the co-defendants purchased the land, which the co-defendants subsequently purchased in good faith. On 15 August 2006, the Central Administrative Court ruled in favor of the Company and its subsidiaries. The plaintiff did not appeal against the Court's judgment within the prescribed deadline on 14 September 2006. Consequently, this case is now deemed to be finalised.

### **32. SUBSEQUENT EVENTS**

The Board of Directors' meeting No. 6/2006 of Laguna Resorts & Hotels Public Company Limited (the Company) held on 27 December 2006 approved the divestment of 20.96% of Laguna Banyan Tree Limited (LBTL)'s equity interest in Lijiang Banyan Tree Hotel Co., Ltd. (Lijiang) to Banyan Tree Holding Limited (BTHL), at the total consideration of USD 2,857,005.15 (approximately Baht 105.7 million) effective 1 January 2007. Upon completion of the transaction, the equity interest ratio of LBTL in Lijiang will be decreased from 70.00% to 49.04%. As a result, Lijiang will no longer be a subsidiary of the Company. The meeting also approved the restructure of the existing LBTL's loan facility provided to Lijiang to the level of LBTL's new equity interest ratio. The Company is in the process of implementing the resolutions.

### **33. RECLASSIFICATION**

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year's classifications, with no effect on previously reported net loss or shareholders' equity.

### **34. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Company's Board of Directors on 27 February 2007.