



Auditor's Report and Financial Statements

The Provincial Electricity Authority

For the years ended December 31, 2010 and 2009

สำนักงานการตรวจเงินแผ่นดิน



(TRANSLATION)
AUDITOR'S REPORT

To the Board of Directors of the Provincial Electricity Authority

The Office of the Auditor General of Thailand has audited the balance sheets of the Provincial Electricity Authority as at December 31, 2010 and 2009, and the related statements of income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Provincial Electricity Authority's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General of Thailand is to express an opinion on these financial statements based on the audits.

The Office of the Auditor General of Thailand conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General of Thailand plan and perform the audit to obtain reasonable assurance about 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 include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. The Office of the Auditor General of Thailand believes that the audits provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General of Thailand, the financial statements referred to above present fairly, in all material respects, the financial position of the Provincial Electricity Authority as at December 31, 2010 and 2009, and the results of operations, the changes in equity and the cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying opinion on the financial statements, Office of the Auditor General of Thailand draws attention to Note 5.2 with Contingent Liabilities.

(Signed) *Pisit Leelavachiropas*
(Mr. Pisit Leelavachiropas)
Deputy Auditor General
Acting Auditor General

(Signed) *Thipvarin Charaschirakul*
(Miss Thipvarin Charaschirakul)
Director of Audit Office

สำนักงานการตรวจเงินแผ่นดิน
Office of the Auditor General

March 11, 2011

THE PROVINCIAL ELECTRICITY AUTHORITY
BALANCE SHEETS
AS AT DECEMBER 31, 2010 AND 2009

		Unit : Baht	
	Notes	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents	3.1 , 4.1	1,763,853,090.53	4,716,460,022.25
Trade accounts receivable - net	3.2 , 4.2	23,970,418,165.14	22,336,246,814.70
Materials and supplies - net	3.3 , 4.3	6,914,426,657.79	8,663,612,528.38
Restricted deposits at financial institutions	3.4 , 4.4	13,482,604,310.53	7,780,693,529.05
Accrued revenues	4.5	17,753,511,276.61	8,634,044,491.06
Undue input VAT		1,550,469,650.03	1,572,838,325.86
Advance payments to suppliers		1,657,004,214.83	1,551,280,119.10
Other current assets	4.6	772,796,507.12	955,043,424.37
Total Current Assets		67,865,083,872.58	56,210,219,254.77
Non-current Assets			
Investment in subsidiary	3.5 , 4.7	100,000,000.00	25,000,000.00
Property, plant and equipment - net	3.6 , 4.8	187,328,067,814.43	180,321,689,002.82
Constructions in progress	4.9	26,970,449,504.82	23,792,800,790.09
Intangible assets - net	3.7 , 4.10	901,829,502.50	783,721,018.88
Assets pending for usage	3.8	700,523,894.81	762,783,996.74
Other non-current assets	4.11	130,647,367.68	140,487,365.74
Total Non-current Assets		216,131,518,084.24	205,826,482,174.27
Total Assets		283,996,601,956.82	262,036,701,429.04

The notes to financial statements are an integral part of these financial statements.

THE PROVINCIAL ELECTRICITY AUTHORITY

BALANCE SHEETS

AS AT DECEMBER 31, 2010 AND 2009

Liabilities and Equity	Notes	Unit : Baht	
		2010	2009
Current Liabilities			
Bank overdrafts		1,586,890,565.95	4,289,924,829.86
Trade accounts payable	4.12	25,161,736,975.82	23,338,540,565.65
Current portion of long-term loans	3.9 , 3.10 , 4.13	12,557,975,612.77	11,254,954,500.89
Other payables		325,380,769.51	319,619,656.90
Accrued interest expense on loans		808,630,211.31	807,116,724.13
Accrued remittance to the Ministry of Finance	4.14	5,412,472,000.00	4,546,493,000.00
Advance received per contracts		722,159,473.60	585,106,387.01
Unearned revenues		119,168,582.71	182,199,721.17
Accrued expenses		2,285,032,847.24	1,741,598,662.87
Other current liabilities	4.15	457,630,216.23	427,535,202.05
Total Current Liabilities		49,437,077,255.14	47,493,089,250.53
Non-current Liabilities			
Long-term loans	3.9 , 3.10 , 4.13	73,189,430,136.29	62,867,797,222.71
Long-term provisions	3.11, 4.16	34,179,746.84	34,129,452.84
Construction obligations	4.17	4,829,352,238.16	4,346,596,821.49
Deferred revenues	3.12 , 4.18	31,940,387,496.66	31,290,995,438.69
Electricity usage guarantee	3.13 , 4.19	15,826,452,954.08	14,606,924,633.07
Sales and service guarantee		269,091,226.26	221,051,818.15
Employee gratuity fund	3.14 , 4.20	38,543,759.31	38,710,099.03
Total Non-current Liabilities		126,127,437,557.60	113,406,205,485.98
Total Liabilities		175,564,514,812.74	160,899,294,736.51
Equity			
Initial capital		87,003,886.67	87,003,886.67
Contributions from the government		4,802,500,915.46	4,802,500,915.46
Unappropriated retained earnings		103,542,582,341.95	96,247,901,890.40
Total Equity		108,432,087,144.08	101,137,406,692.53
Total Liabilities and Equity		283,996,601,956.82	262,036,701,429.04

The notes to financial statements are an integral part of these financial statements.

(Signed) *Wichian Chawalit*
(Mr. Wichian Chawalit)
 Chairman of the Board of Directors
 The Provincial Electricity Authority

(Signed) *Narongsak Kamales*
(Mr. Narongsak Kamales)
 PEA Governor

THE PROVINCIAL ELECTRICITY AUTHORITY
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Notes	2010	2009
Unit : Baht			
Revenues			
Sales of electricity energy		313,634,201,696.23	280,881,824,815.80
Other operating revenues		9,027,814,179.58	7,875,516,713.73
Total Operating Revenues	3.16	<u>322,662,015,875.81</u>	<u>288,757,341,529.53</u>
Other income			
Gain on foreign exchange	3.9 , 4.21	216,060,361.10	441,899,923.93
Others		832,783,990.18	1,099,481,460.86
Total Other Income		<u>1,048,844,351.28</u>	<u>1,541,381,384.79</u>
Total Revenues		<u>323,710,860,227.09</u>	<u>290,298,722,914.32</u>
Expenses			
Cost of sales and services		285,782,962,752.71	255,726,056,329.06
Administrative expenses		15,575,295,134.28	13,245,668,227.87
Selling expenses		4,530,871,474.97	4,411,610,147.18
Executive remuneration	3.18, 4.22	122,916,609.32	108,351,001.97
Total Expenses		<u>306,012,045,971.28</u>	<u>273,491,685,706.08</u>
Income before financial costs		<u>17,698,814,255.81</u>	<u>16,807,037,208.24</u>
Financial costs	3.17	2,935,924,804.26	2,806,744,928.58
Net income	4.23	<u>14,762,889,451.55</u>	<u>14,000,292,279.66</u>

The notes to financial statements are an integral part of these financial statements.

THE PROVINCIAL ELECTRICITY AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Initial Capital and Contributions from the Government	Unappropriated Retained Earnings	Unit : Baht
			Total Equity
Balance as at January 1, 2009	4,889,504,802.13	88,945,946,610.74	93,835,451,412.87
Accumulated amount from			
Remittance for year 2008 to the Ministry of Finance (addition)	-	(561,844,000.00)	(561,844,000.00)
Balance after adjustments	4,889,504,802.13	88,384,102,610.74	93,273,607,412.87
Interim remittance from net income for year 2009 to the Ministry of Finance	-	(3,196,000,000.00)	(3,196,000,000.00)
Reserve for remittance from net income for year 2009 to the Ministry of Finance		(2,940,493,000.00)	(2,940,493,000.00)
Net income for year 2009	-	14,000,292,279.66	14,000,292,279.66
Balance as at December 31, 2009	4,889,504,802.13	96,247,901,890.40	101,137,406,692.53
Accumulated amount from			
Remittance for year 2009 to the Ministry of Finance (addition)	-	(55,737,000.00)	(55,737,000.00)
Balance after adjustments	4,889,504,802.13	96,192,164,890.40	101,081,669,692.53
Interim remittance from net income for year 2010 to the Ministry of Finance	-	(3,545,000,000.00)	(3,545,000,000.00)
Reserve for remittance from net income for year 2010 to the Ministry of Finance		(3,867,472,000.00)	(3,867,472,000.00)
Net income for year 2010	-	14,762,889,451.55	14,762,889,451.55
Balance as at December 31, 2010	4,889,504,802.13	103,542,582,341.95	108,432,087,144.08

The notes to financial statements are an integral part of these financial statements.

THE PROVINCIAL ELECTRICITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
		Unit : Baht
Cash Flows from Operating Activities:		
Net income	14,762,889,451.55	14,000,292,279.66
Adjustments of net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,348,006,616.94	12,536,329,117.71
Bad debts and doubtful accounts	(110,604,764.88)	(27,452,704.47)
Provision for obsolete materials and supplies	(391,519.55)	(88,473.17)
Amortization of deferred revenues	(2,851,220,860.79)	(2,749,357,456.50)
Provisions	50,294.00	(678,837.00)
Gain on disposal of assets	(121,105,201.22)	(152,539,565.54)
Loss (gain) on disposal of materials and supplies	(10,943,256.51)	(29,800,172.14)
Loss (gain) on foreign exchange	(181,062,473.64)	(416,457,499.11)
Interest income	(343,670,420.04)	(294,495,231.59)
Interest expense	2,931,131,816.77	2,801,564,443.69
Net income from operating activities before changes in operating assets and liabilities	27,423,079,682.63	25,667,315,901.54
Changes in operating assets (increase) decrease		
Trade accounts receivable	(1,525,260,425.29)	(4,104,211,378.51)
Materials and supplies	2,309,644,604.28	1,628,513,077.22
Restricted deposits at financial institutions	(5,701,910,781.48)	4,648,841,971.91
Accrued revenues	(9,038,862,242.20)	(5,407,746,741.15)
Interest received	263,065,876.69	334,117,369.60
Undue input VAT	22,368,675.83	7,771,688.70
Advance payments to suppliers	(105,724,095.73)	243,788,809.56
Other current assets	183,180,795.48	57,651,049.82
Other non-current assets	10,599,959.56	13,522,621.73
Change in operating liabilities increase (decrease)		
Trade accounts payable	1,823,196,410.17	(1,265,708,894.11)
Other payables	5,761,112.61	13,943,965.06
Advance received per contracts	137,053,086.59	274,751,360.13
Unearned revenues	(63,031,138.46)	125,341,096.44

The notes to financial statements are an integral part of these financial statements.

THE PROVINCIAL ELECTRICITY AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Notes	2010	Unit : Baht 2009
Accrued expenses		543,434,184.37	175,756,468.11
Other current liabilities		30,095,014.18	(99,529,844.68)
Construction obligations		482,755,416.67	(721,297,195.28)
Deferred revenues		3,500,612,918.76	4,722,662,257.76
Electricity usage guarantee		1,219,528,321.01	929,858,281.36
Sales and service guarantee		48,039,408.11	(13,815,015.97)
Employee gratuity fund		(166,339.72)	(335,050.56)
Remittance to the Ministry of Finance		(6,602,230,000.00)	(5,511,000,000.00)
Net cash provided by operating activities		<u>14,965,230,444.06</u>	<u>21,720,191,798.68</u>
Cash Flows from Investing Activities:			
Payment of investment in subsidiary		(75,000,000.00)	(25,000,000.00)
Payment of property, plant and equipment		(2,186,702,277.47)	(1,987,057,535.95)
Payment for constructions in progress		(21,006,594,262.79)	(18,446,820,908.82)
Interest expense capitalized to constructions in progress		(440,914,528.80)	(577,610,640.82)
Proceeds from disposal of property, plant and equipment		115,487.11	337,406.30
Payment of intangible assets		(444,065,801.36)	(612,682,360.70)
Proceeds from disposal of assets pending for usage		62,260,101.93	128,976,778.12
Net cash used in investing activities		<u>(24,090,901,281.38)</u>	<u>(21,519,857,261.87)</u>
Cash Flows from Financing Activities:			
Bank overdrafts		(2,703,034,263.91)	2,235,787,370.56
Interest paid		(2,929,618,329.59)	(2,889,741,063.74)
Payment of long-term loans		(13,804,954,500.90)	(8,937,230,286.49)
Proceeds from long-term loans		25,610,671,000.00	12,060,000,000.00
Net cash provided by financing activities		<u>6,173,063,905.60</u>	<u>2,468,816,020.33</u>
Net increase (decrease) in cash and cash equivalents		(2,952,606,913.72)	2,669,150,557.14
Cash and cash equivalents at the beginning of periods		4,716,460,022.25	2,047,309,465.11
Cash and cash equivalents at the end of periods	3.1 , 4.1	<u>1,763,853,090.53</u>	<u>4,716,460,022.25</u>

The notes to financial statements are an integral part of these financial statements.

THE PROVINCIAL ELECTRICITY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Operations of PEA

The Provincial Electricity Authority ("PEA") was established as a state enterprise for public utility under the Provincial Electricity Authority Act B.E. 2503 (1960) and is located at 200 Ngamwongwan Road, Ladyao, Chatuchak, Bangkok 10900. The main objective of PEA is to generate, obtain, distribute and sell electricity energy to people, businesses, and industrial sectors in 73 provinces throughout Thailand, with the exception of Bangkok, Nonthaburi and Samut Prakan provinces.

PEA has extensive transactions and relationships with the Electricity Generating Authority of Thailand ("EGAT"). Most of electricity energy sold to customers by PEA was purchased from EGAT. Accordingly, the financial statements may not necessarily be indicative of the conditions that would have existed or the results of operations that would have occurred if PEA had operated without such affiliations.

2. Basis for Presentation of Financial Statements

2.1 The financial statements have been prepared in Thai Baht and in Thai language in accordance with accounting standards and practices generally accepted in Thailand. The accounting transactions of the PEA's employee gratuity fund are included.

2.2 In 2010, the Federation of Accounting Professions issued new and revised Interpretation and Framework, Accounting Standards and Financial Reporting Standards but not effective in 2010 are as follows :

	<u>Thai Accounting Standards</u>	<u>Effective date</u>
	Framework (revised 2009)	Currently effective
No. 1 (revised 2009)	Presentation of Financial Statements	January 1, 2011
No. 2 (revised 2009)	Inventories	January 1, 2011
No. 7 (revised 2009)	Statements of Cash Flows	January 1, 2011
No. 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2011
No. 10 (revised 2009)	Events after the Reporting Period	January 1, 2011
No. 11 (revised 2009)	Construction Contracts	January 1, 2011
No. 12 (revised 2009)	Income Taxes	January 1, 2013
No. 16 (revised 2009)	Property, Plant and Equipment	January 1, 2011
No. 17 (revised 2009)	Leases	January 1, 2011
No. 18 (revised 2009)	Revenue	January 1, 2011
No. 19	Employee Benefits	January 1, 2011

<u>Thai Accounting Standards</u>		<u>Effective date</u>
No. 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
No. 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rate	January 1, 2013
No. 23 (revised 2009)	Borrowing Costs	January 1, 2011
No. 24 (revised 2009)	Related Party Disclosures	January 1, 2011
No. 26	Accounting and Reporting by Retirement Benefit Plans	January 1, 2011
No. 27 (revised 2009)	Consolidate and Separate Financial Statements	January 1, 2011
No. 28 (revised 2009)	Investments in Associates	January 1, 2011
No. 29 (revised 2009)	Financial Reporting in Hyperinflationary Economies	January 1, 2011
No. 31 (revised 2009)	Interests in Joint Ventures	January 1, 2011
No. 33 (revised 2009)	Earnings per share	January 1, 2011
No. 34 (revised 2009)	Interim Financial Reporting	January 1, 2011
No. 36 (revised 2009)	Impairment of Assets	January 1, 2011
No. 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets	January 1, 2011
No. 38 (revised 2009)	Intangible Assets	January 1, 2011
No. 40 (revised 2009)	Investment Property	January 1, 2011
<u>Thai Financial Reporting Standards</u>		<u>Effective date</u>
No. 2	Share – based Payments	January 1, 2011
No. 3 (revised 2009)	Business Combinations	January 1, 2011
No. 5 (revised 2009)	Non – current Assets Held for Sale and Discontinued Operations	January 1, 2011
No. 6 (revised 2009)	Exploration for and Evaluation of Mineral Resources	January 1, 2011
No. 15	Agreements for the Construction of Real Estate	January 1, 2011

The management of PEA is in the process of consideration of the impact of aboved accounting standards and financial reporting standards on the financial statements of PEA.

3. Summary of Significant Accounting Policies

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits at banks and financial institutions with original maturities of 3 months or less, excluding deposits at banks used as collateral.

3.2 Allowance for doubtful accounts

Allowance for doubtful accounts is based on potential loss from uncollectible receivables which is estimated from historical collection experiences and a review of the current status of the non-governmental or state enterprise receivables outstanding as at the balance sheet date, after deducting electricity usage guarantee in accordance with the regulation of the Ministry of Finance regarding "Accounting and Finance of Government Enterprise B.E. 2548 (2005)" and a resolution of PEA's Audit Committee Meeting No. 3/2549 dated March 10, 2006 as follows:

Overdue period	Percentage of allowance for doubtful accounts
Over 6 months - 1 year	50
Over 1 year	100

Increases and decreases in allowance for doubtful accounts are recognized as expenses or income for the period when incurred.

3.3 Materials and supplies - net

Materials and supplies are stated at the lower of the cost or net realizable value. Cost is determined using the weighted average cost method. Allowance is made in full for obsolete, materials and supplies under investigation and materials and supplies pending for claim.

3.4 Restricted deposits at financial institutions

Restricted deposits at financial institutions which are deposits to be used within one accounting period and with the specific purposes and conditions such as use for the benefits of electricity users, use in the Government grant projects, use for training, analysis and research scholarships, etc., such deposits include interest from KFW Fund, interest from electricity usage guarantee, subsidy from Energy Conservation Policy of the Energy Policy and Planning Office and other governmental agencies, deposits that PEA can use as its working capital when having the deficits in working capital such as electricity usage guarantee fund and sinking fund for repayment of bonds, and employees' loan guarantee are classified as restricted deposits at financial institutions under current assets.

Restricted deposits at financial institutions which are deposits to be used longer than one accounting period and cannot be used for operating activities such as employee gratuity fund, are classified as restricted deposits at financial institutions under other non-current assets.

3.5 Investment in subsidiary

Investment in subsidiary is accounted using the cost method.

3.6 Property, plant and equipment

PEA's policies for property, plant and equipment, and depreciation are summarized as follows:

Property, plant and equipment are initially recognized at cost which is calculated from purchase prices plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operation in the manner intended. Self-constructed assets are recorded at construction costs, consisting of material costs, direct labor and construction related expenses. Property is stated at cost. Plant and equipment are stated at cost less accumulated depreciation.

Property comprises land used in the operation and land derived by operating objective with certain plan of usage within one year.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	Percentage per annum
Buildings and constructions	3 and 6.25
Electricity generating systems	3, 5 and 10
Electricity distributing systems	4 - 20
Furniture, tools, equipment and vehicles	4 - 20

In case of disposal, PEA writes off cost of assets and its accumulated depreciation from the accounts, and recognized gain or loss on disposal of assets as other income or other expenses in the statement of income.

3.7 Intangible assets

Intangible assets represent license fee for using of computer software which can be separated from the related hardware. Amortization is calculated using the straight-line method, at the rate of 20% per annum.

3.8 Assets pending for usage

Land acquired for use in operations but has not been used at the present are stated at cost and classified as assets pending for usage under other non-current assets. Whilst land acquired with objective for use in operations and having specific plan of use within one year are classified as non-current assets under property, plant and equipment.

3.9 Foreign currency transactions

Foreign currency transactions are translated into Baht by the exchange rates prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the reference exchange rates announced by the Bank of Thailand at such date. Gains or losses on exchange arising on settlements and translation are recognized as income or expenses for the period when incurred.

3.10 Financial instruments

Financial assets as at the balance sheet date of PEA include cash and cash equivalents, and trade accounts receivable. Whilst financial liabilities are obligations under contracts including trade accounts payable, other payables, other current liabilities, short-term loans and long-term loans.

3.11 Provisions

PEA recognizes the provisions in the balance sheet when contingent liabilities arising from legal claims or estimated from past events are created, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and such amount of the obligations can be estimated with sufficient reliability. The actual results may differ from those estimates.

Provisions which due within one year are classified as short-term provisions and provisions which due more than one year are classified as long-term provisions.

3.12 Deferred revenues

3.12.1 Contributions for constructing electricity distribution systems represent cash collected from people who request to use the electricity in order to reduce the burden of PEA for construction of the electricity distribution systems. Ownership of the systems including responsibility maintenance and repair thereof belong to PEA. Such contributions are presented as deferred revenues in the balance sheets and recognized as revenues at the rate of 5% per annum (equals to the depreciation rate of PEA's electricity distribution systems)

3.12.2 Contribution revenues represent assets received from donation which are used in operations. Most of such assets are electricity distribution systems that the electricity users donate to PEA, which PEA is responsible for maintenance. Such assets are presented as deferred revenues from donated assets in the balance sheets and recognized as revenues at the rate in accordance with depreciation rates of such assets over their useful lives.

Assets received from donation which are not used in operations are recognized as other non-operating revenues in the statements of income in the period of acquisition.

3.12.3 Contribution revenues from foreign financial institutions represent contributions made by foreign financial institutions in form of interest discount for uses for certain purpose of PEA. Such revenues are presented as deferred revenues in the balance sheets and recognized as revenues based on the actual amount of expenses as incurred.

3.13 Electricity usage guarantee

According to the Regulation of the Provincial Electricity Authority effective from August 23, 2000 regarding "Electricity Usage Guarantee Administration B.E. 2543 (2000)", the Governor has to deposit Baht 600 million of working capital in the bank account named "Electricity Usage Guarantee Fund" to reserve a fund for refunding of electricity usage guarantee to electricity users, and interest income is separately deposited in the bank account named "Interest from Electricity Usage Guarantee Fund." The remaining electricity usage guarantee after deducting reserve for refunding of electricity usage guarantee to electricity users can be used as working capital under the consideration and approval of the Board of Directors of PEA by paying a return to the fund at the same interest rate established by Krung Thai Bank Public Company Limited for savings account of state enterprises by depositing in the "Interest from Electricity Usage Guarantee" account on a monthly basis. PEA also has to transfer its working capital equal to the net increase in electricity usage guarantee in each month to the "Electricity Usage Guarantee Fund" account and to repay electricity usage guarantee fund which was used as working capital to the "Electricity Usage Guarantee Fund" account not less than Baht 100 million each month until the electricity usage guarantee received from electricity users is fully covered. In case of working capital deficiency or liquidity difficulty, the repayment can be postponed with the approval of the Governor and reporting to the Board of Directors. PEA can use interest from electricity usage guarantee fund in activities that are beneficial directly to electricity users and/or other public interests as specified by the Governor and approved by the Board of Directors.

3.14 Employee gratuity fund

PEA establishes employee gratuity fund for the purpose of giving aid to employees in case of termination without guilt in accordance with the Regulations of the Provincial Electricity Authority on Employee Gratuity Fund and Benefit for PEA Employees B.E. 2522 (1979). PEA pays monthly contribution at the rate of 10% of monthly employee salaries and recognizes as an expense in the statements of income. In this regard, the financial statements of PEA include transactions of the fund and also eliminate the related party transactions.

3.15 Research and technology development fund

PEA establishes research and technology development fund, according to the policy of the Office of the National Economic and Social Development Board to continuously promote and support existing and new research and technology development in high efficiency manner. The fund aims to reduce the dependence and the importation of technology from abroad. Consequently, PEA enables to apply the results of research and development to PEA's operations in the highest efficiency. PEA has contributed from its budget as a funding for domestic education and research and development institutions and business units within PEA.

The contributions of research and technology development occurred will be recognized as an expense.

3.16 Revenue recognition

Sales of electricity energy are recognized on a monthly basis as cycle time recording of electricity usage units from customers' electric meters.

Sales of electricity equipment are recognized when goods are delivered, and ownership is transferred to customers.

Income from constructions for electricity users is recognized in proportion of actual costs incurred.

Deferred contributions for construction is recognized as income at the rate of 5% per annum (equaled to depreciation rate of related assets).

Interest income is recognized on a time proportion basis using the effective yields of interest bearing assets.

3.17 Financial costs

Financial costs represent costs incurred from seeking operational funds including interest expense and fee paid.

Interest expense and other expenses related to long-term loans made specifically for the purpose of acquiring fixed assets, which such asset are under construction, are capitalized as costs of construction in progress. Interest and other expenses incurred subsequent to the completion of construction are recognized as expenses.

3.18 Executive remuneration

Executive remuneration represents the compensation paid to directors and management who have the power to decide, both in monetary and remuneration benefit.

4. Supplementary information

4.1 Cash and cash equivalents consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Cash	108.39	97.29
Cash at banks: - Current accounts	6.14	9.74
- Savings accounts	1,649.32	4,609.43
Total	1,763.85	4,716.46

4.2 Trade accounts receivable - net consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable from sales of electricity - net	23,155.55	21,639.70
Accounts receivable from sales of equipment and rendering of services - net	814.87	696.55
	23,970.42	22,336.25

4.2.1 Accounts receivable from sales of electricity - net are as follows:

	Dec. 31, 2010			Dec. 31, 2009
	Public Sector	Private Sector	Total	Total
Outstanding period				
1 month - 6 months	2,428.85	21,704.27	24,133.12	22,513.91
Over 6 months - 1 year	247.20	43.63	290.83	301.85
Over 1 year	179.37	513.52	692.89	798.36
	2,855.42	22,261.42	25,116.84	23,614.12
<u>Less Undue VAT from sales</u>	183.96	1,453.81	1,637.77	1,516.49
	2,671.46	20,807.61	23,479.07	22,097.63
<u>Less Allowance for doubtful accounts</u>	-	323.52	323.52	457.93
Total	2,671.46	20,484.09	23,155.55	21,639.70

4.2.2 Accounts receivable from sales of equipment and rendering of services - net are as follows:

	Unit: Million Baht	
	Dec.31, 2010	Dec.31, 2009
Receivables from sales and rendering of services	109.65	87.82
Receivables from construction obligations	749.12	657.66
Receivables from construction obligations due from TT&T PLC.	952.69	941.28
Other receivables	27.93	20.08
	1,839.39	1,706.84
<u>Less Undue VAT from sales</u>	113.98	114.80
	1,725.41	1,592.04
<u>Less Allowance for doubtful accounts</u>	910.54	895.49
Total	814.87	696.55

Receivables from construction obligations due from TT&T PLC are receivables that were authorized by the Telephone Organization of Thailand to carry out business relating to obtaining permission to put up the distribution poles and lines, payment for expenses relating to such putting up, communicating and coordinating with PEA for expansion of the one million telephone lines within the provinces project.

As at December 31, 2010 receivables from construction obligations due from TT&T PCL amounting to Baht 952.69 million include receivables from construction obligations amounting to Baht 890.36 million and undue output VAT from sales amounting to Baht 62.33 million, which PEA has made full provision of Baht 890.36 million.

PEA prosecuted the civil suit against the Telephone Organization of Thailand (currently, TOT Corporation Public Company Limited) in case of ignoring of making a payment and on November 1, 2001, the public prosecutor filed the accusation against the Telephone Organization of Thailand to the Civil Court as undecided case No. 5389/2544. Subsequently, on May 17, 2007, the Civil Court had an order No. 6554/2545 to the defendant (Telephone Organization of Thailand) to make a payment to the plaintiff (PEA) amounting to Baht 229.77 million with interest at the rate of 7.5% per annum of the principal of Baht 192.25 million from the date the Central Bankruptcy Court had an order to file for rehabilitation (May 5, 2000) onwards until full payment. The Appeal Court adjudged to dismiss the plaintiff's plaint. Currently, the lawsuit is in the process of filing to the Supreme Court.

4.3 Materials and supplies - net consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Materials and supplies		
Operating materials and supplies	485.32	513.35
Materials and supplies for construction and maintenance	5,211.06	6,720.52
Materials and supplies for repair	995.49	942.96
Demolition materials and supplies, and obsolete materials and supplies	209.12	200.63
Materials and supplies pending for adjustments	11.88	11.54
	<u>6,912.87</u>	<u>8,389.00</u>
Materials and supplies in transit	15.20	288.65
	<u>6,928.07</u>	<u>8,677.65</u>
<u>Less</u> Allowance for obsolete materials and supplies	1.75	2.50
Allowance for loss or misstated or lost materials and supplies under investigation	11.89	11.54
Total	<u>6,914.43</u>	<u>8,663.61</u>

4.4 Restricted deposits at financial institutions consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Electricity usage guarantee fund	12,004.84	6,033.91
Sinking fund for repayment of bonds	0.83	316.90
Interest from electricity usage guarantee	1,255.04	1,211.99
Interest from KFW fund	145.49	141.40
Subsidy from Energy Conservation Policy from the Energy Policy and Planning Office and other governmental agencies	76.37	76.49
PEA fund for guarantee of employees' loans	0.03	0.004
Total	<u>13,482.60</u>	<u>7,780.69</u>

Electricity usage guarantee fund and sinking fund for repayment of bonds are deposits at financial institutions that can be used in PEA's activities in case of PEA having deficits in working capital. Interest from electricity usage guarantee, interest from KFW Fund, subsidy from Energy Conservation Policy from the Energy Policy and Planning Office and PEA fund for guarantee of employees' loans are deposits at financial institutions which are restricted for specific purposes as determined by PEA.

4.5 Accrued revenues consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Accrued interest	119.37	38.77
Accrued revenues from discount on electricity according to Cabinet's Resolution	17,430.71	8,320.07
Other accrued revenues	203.43	275.20
Total	17,753.51	8,634.04

4.6 Other current assets consist of:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Employee receivables	92.36	128.20
Other receivables	645.38	804.07
Prepaid expenses	25.78	22.35
Suspense accounts	9.28	0.42
Total	772.80	955.04

4.7 Investment in subsidiary

As at December 31, 2010, and 2009 investment in subsidiary amounting to Baht 100 million and 25 million, respectively.

Investment in subsidiary represented an investment in PEA Encom International Company Limited. The Company registered in Thailand with a purpose of investing in electricity-related businesses and conducting training services concerning electricity systems and other private organizations both domestically and internationally. The authorized share capital in amount of Baht 100 million by issuing 10 million ordinary shares at a par value of Baht 10, PEA acquired its shareholding of 100%. The investment in subsidiary is accounted using the cost method.

4.8 Property, plant and equipment - net consist of:

Items	Cost				Accumulated Depreciation				Unit: Million Baht	
	Beginning balance as at Jan. 1, 10	Additions	Disposals	Ending balance as at Dec. 31, 10	Beginning balance as at Jan. 1, 10	Additions	Disposals	Ending balance as at Dec. 31, 10	Property, plant and equipment - net	
									Dec. 31, 10	Dec. 31, 09
Land and land improvements	8,024.27	368.80	1.44	8,391.63	650.20	82.79	0.69	732.30	7,659.33	7,374.07
Buildings and constructions	9,924.92	1,516.33	9.34	11,431.91	2,856.53	344.12	7.16	3,193.49	8,238.42	7,068.39
Electricity generating systems	2,140.19	850.05	1,010.30	1,979.94	526.92	92.61	23.86	595.67	1,384.27	1,613.27
Electricity distributing systems	276,858.38	17,225.70	1,363.60	292,720.48	120,900.64	11,322.15	946.87	131,275.92	161,444.56	155,957.74
Furniture, tools and equipment	13,190.20	1,307.46	302.94	14,194.72	6,047.59	947.49	274.58	6,720.50	7,474.22	7,142.61
Vehicles	6,989.83	223.63	58.96	7,154.50	5,824.22	261.97	58.96	6,027.23	1,127.27	1,165.61
Total	317,127.79	21,491.97	2,746.58	335,873.18	136,806.10	13,051.13	1,312.12	148,545.11	187,328.07	180,321.69

4.9 Constructions in progress consist of:

Unit: Million Baht

Items	Beginning balance as at Jan.1, 10	Additions	Decrease	Ending balance as at Dec.31, 10
1. Constructions in progress (PEA capital budget)	21,650.23	17,984.15	14,600.03	25,034.35
2. Constructions in progress (partially funded by Electricity users)	2,142.57	3,492.43	3,699.96	1,935.04
3. Construction in progress (funded by interest from electricity usage guarantee)	-	1.06	-	1.06
Total	23,792.80	21,477.64	18,299.99	26,970.45

4.10 Intangible assets - net consist of:

Unit: Million Baht

Items	Cost				Accumulated Amortization				Intangible Assets - net	
	Beginning balance as at Jan. 1, 10	Additions	Disposals	Ending balance as at Dec.31, 10	Beginning balance as at Jan. 1, 10	Additions	Disposals	Ending balance as at Dec. 31, 10	Dec.31, 10	Dec.31, 09
Computer software licenses	1,515.93	454.05	1.86	1,968.12	732.21	335.94	1.86	1,066.29	901.83	783.72

4.11 Other non-current assets consist of:

Unit: Million Baht

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Employee receivables	75.72	89.51
Deferred expenses	11.60	3.43
Retentions and deposits	3.37	3.90
PEA employee gratuity fund	39.96	43.65
Total	<u>130.65</u>	<u>140.49</u>

4.12 Trade accounts payable consist of:

Unit: Million Baht

	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Accounts payable - electricity	23,623.26	22,100.10
Accounts payable - domestic	629.88	431.40
Accounts payable - foreign	3.37	-
Suspense payables - unbilled	905.23	807.04
Total	<u>25,161.74</u>	<u>23,338.54</u>

As at December 31, 2010 and 2009, suspense payables - unbilled amounting to Baht 905.23 million and Baht 870.04 million, respectively, represent payables for goods or services received but not recorded as accounts payable.

4.13 Long-term loans are as follows:

Unit: Million Baht

Type of Loans	Repayment Terms	Currency	Fixed Interest Rate Per Contract (%)	Dec. 31, 2010	Dec. 31, 2009
Domestic loans					
- Financial institutions	2003 - 2014	Baht	1.62 - 1.70 *	1,592.44	2,029.04
	2010 - 2013	Baht	Government subsidy	13,010.67	2,900.00
- Ministry of Finance	1988 - 2031	Canadian Dollar	Interest free	388.14	431.67
- Bonds	2004 - 2027	Baht	2.57 - 6.844	63,622.03	60,795.65
Total domestic loans				78,613.28	66,156.36
Foreign loans					
- Financial institutions	2003 - 2027	Yen	2.20 - 2.70	5,647.57	5,985.50
	2002 - 2012	US Dollar	Interest free	22.29	41.09
	1991 - 2020	Euro	2.00	953.05	1,281.49
	2007 - 2023	Euro	8.00 **	511.22	658.31
Total foreign loans				7,134.13	7,966.39
Total long-term loans				85,747.41	74,122.75
Less Current portion				12,557.98	11,254.95
Total				73,189.43	62,867.80

* Siam Commercial Bank Public Company Limited, borrowing interest rate equals to six-month fixed deposit interest rate for personal plus 0.970% per annum and Siam City Bank Public Company Limited, borrowing interest rate of two contracts equals to three-month fixed deposit interest rate for personal plus 0.7% per annum.

** Borrowing interest rate of 8% per annum under the contract included interest expense that PEA paid to KFW fund at the rate of 6% per annum.

Interest expense on loans for the years 2010 and 2009 amounting to Baht 3,371.50 million and Baht 3,374.72 million, respectively, were capitalized as cost of construction in progress amounting to Baht 441.74 million and Baht 577.61 million and were recognized as expenses in the Statements of Income for Baht 2,929.76 million and Baht 2,797.11 million, respectively.

4.14 Accrued remittance to the Ministry of Finance

As at December 31, 2010 and 2009, PEA estimated the remittance to the Ministry of Finance of Baht 7,412.47 million and Baht 6,136.49 million, respectively, at 45% and 40% of net income for the years 2010 and 2009 before directors and employees bonus amounting to Baht 16,472.16 million and Baht 15,341.23 million, respectively. During the year 2010, PEA remitted money for half year net income of year 2010 amounting to Baht 2,000 million to the Ministry of Finance. The remaining balance of accrued remittance to the Ministry of Finance is Baht 5,412.47 million as at December 31, 2010.

4.15 Other current liabilities consist of:

	Unit: Million Baht	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Deposits payable	108.37	86.90
Retentions and deposits	200.49	132.79
Pending repayment electricity usage guarantee	110.88	113.83
Tax	-	39.89
Suspense accounts	37.83	53.86
Inter-account between PEA and SAT	0.06	0.26
Provisions	-	0.01
Total	<u>457.63</u>	<u>427.54</u>

4.16 Long – term provisions

As of December 31, 2010 and 2009, long – term provisions amounting to Baht 34.18 million and Baht 34.13 million, respectively, representing the provisions that PEA was filed in litigation as a defendant, which PEA assessed the status of the lawsuits and estimated that 22 lawsuits and 25 lawsuits, respectively.

4.17 Construction obligations as at December 31, 2010 and 2009 amounting to Baht 4,829.35 million and Baht 4,346.60 million, respectively, represent the obligations for PEA to expand the electricity distribution areas for electricity users which the electricity users fully or partially funded the construction costs. The ownership of the assets belongs to PEA.

4.18 Deferred revenues consist of:

	Unit: Million Baht	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Contributions for construction	30,636.69	29,997.68
Deferred revenues from donated assets	1,303.70	1,293.32
Total	<u>31,940.39</u>	<u>31,291.00</u>

4.19 Electricity usage guarantee represent cash received from electricity users to guarantee their electricity usage, which are deposited at financial institutions and used as working capital as follows:

	Unit: Million Baht	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Current accounts	0.001	0.001
Savings accounts	0.002	0.50
Fixed deposits	12,004.84	6,033.40
Electricity usage guarantee - used as PEA's working capital	3,600.00	8,300.00
Electricity usage guarantee - additional deposits by PEA	221.61	273.02
Total	<u>15,826.45</u>	<u>14,606.92</u>

As at December 31, 2010 and 2009, electricity usage guarantee-used as PEA's working capital was Baht 3,600 million and Baht 8,300 million, respectively, approved by the Board of Directors of PEA by paying a return to the fund at the same interest rate established by Krung Thai Bank Public Company Limited for savings account of state enterprises (currently interest rate of 0.25% - 0.5% per annum) by depositing in the Interest from Electricity Usage Guarantee account on a monthly basis. The principal is payable by depositing in the Electricity Usage Guarantee account not less than Baht 100 million each month.

4.20 Employee gratuity fund

As at December 31, 2010 and 2009, employee gratuity fund are as follows:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Beginning balance	38.71	39.05
<u>Add</u> Contributions during the years	1.65	1.76
Payments for shortage from PEA	3.94	0.80
Excess of revenues over expenses for the years	0.74	0.62
	45.04	42.23
<u>Less</u> Payments to employees and provident fund	5.76	2.90
Repayments for surplus of the gratuity fund over obligations	0.74	0.62
Ending balance of fund equal to obligations to be paid to resigned or retired employees	<u>38.54</u>	<u>38.71</u>

4.21 Gain (loss) on foreign exchange

Gain (loss) on foreign exchange is recognized as revenue (expense) in the statements of income as follows:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Gain (loss) on exchange from repayments of loans	39.50	32.46
Gain (loss) on exchange from purchases of goods from overseas	(4.50)	(7.02)
Gain (loss) on exchange from the closing rates	181.06	416.46
Total	<u>216.06</u>	<u>441.90</u>

4.22 Executive remuneration

Executive remuneration consist of :

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Compensation paid to directors	21.94	12.43
Compensation paid to management	100.98	95.92
Total	<u>122.92</u>	<u>108.35</u>

4.23 Operational results

4.23.1 Operating results for the 12-month period ended December 31, 2010 and 2009, are as follows:

	Unit: Million Baht			
	Dec. 31, 2010	Dec. 31, 2009	Increase (Decrease)	Percentage
Operating revenues	322,662.02	288,757.34	33,904.68	11.74
Cost of sales and services	285,782.96	255,726.05	30,056.91	11.75
Gross profit	36,879.06	33,031.29	3,847.77	11.65
Administrative expenses	15,575.29	13,245.67	2,329.62	17.59
Selling expenses	4,530.87	4,411.61	119.26	2.70
Directors' remuneration	122.92	108.35	14.57	13.45
Operating revenues	16,649.98	15,265.66	1,384.32	9.07
Other income	832.78	1,099.48	(266.70)	(24.26)
Gain (loss) on foreign exchange	216.06	441.90	(225.84)	(51.11)
Finance costs	2,935.93	2,806.75	129.18	4.60
Net income	14,762.89	14,000.29	762.60	5.45

For the year 2010, PEA has net income of Baht 14,762.89 million which increased from the same period of the prior year by Baht 762.60 million. The increase is attributable to increase in operating income by Baht 1,384.32 million, decrease in other income by Baht 266.70 million, decrease in gain on foreign exchange by Baht 225.84 million and increase in finance costs by Baht 129.18 million.

4.23.2 Transactions classified by expense characteristics

Some transactions included in the statements of income for the year ended December 31, 2010 and 2009 classified by expense characteristics as follows:

	Unit: Million Baht	
	Dec. 31, 2010	Dec. 31, 2009
Depreciation of property, plant and equipment	13,012.07	12,307.51
Amortization of intangible assets	335.94	228.82
Employee expenses	19,895.44	17,827.23

5. Commitments and contingent liabilities

5.1 Commitments

For the year 2010, PEA had no commitments. And for the year 2009, PEA had commitments from outstanding letter of credit of Baht 12.96 million.

5.2 Contingent liabilities

As at December 31, 2010 and 2009, PEA was sued 72 cases and 69 cases, respectively with total capital funds Baht 2,006.64 million and Baht 133.93 million, respectively. These amounts were recorded as contingent liabilities.

In the year 2010, PEA was filed in lawsuits partly due to lease computer software packages for the core business from Portalnet co., Ltd., authorized by SPIES, sued PEA to the Administrative Court on November 22, 2010, accordingly PEA has obligations for the lease computer software packages for Baht 1,868.61 million plus the interest at the rate of 7.5 percent per annum sued the next day onwards. The Administrative Court issued summons to PEA to submit the affidavit with evidence to the court within 30 days since the date of receiving the writ (due on January 14, 2011). Later on, PEA authorized prosecutor to request the first extension for 30 days, the Administrative Court permit extension of time to submit deposition until February 14, 2011. The second request to extend for another 30 days from the due date in the first extension. The Administrative Court permit extension of time to submit deposition until March 16, 2011. Currently the lawsuit is still in the process of concluding the fact to prosecutor.

Moreover, prosecutor, Administrative Court Office, Office of the Attorney General, is an authorized person to defend the administrative case.

6. Reclassifications

Certain reclassifications have been made to the financial statements for the year ended December 31, 2009 to conform to the classifications used in the financial statements for the year ended December 31, 2010.

7. Others

Under the resolution of the National Energy Policy Committee on October 17, 2003, electrical powers reduce electricity costs to customers if the cost of investment does not proceed as the investment plan appointed in electricity tariff structure. In 2008, PEA invested under the investment plan amounting to Baht 841 million to have an impact on reduction of electricity costs to the customers through the tariff formula Ft in the future.
