

TISCO FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2002 AND 2001

Report of Independent Auditor

To The Board of Directors and Shareholders of
TISCO Finance Public Company Limited

I have audited the accompanying consolidated balance sheets of TISCO Finance Public Company Limited and its subsidiaries as at 31 December 2002 and 2001, the related consolidated statements of earnings, changes in shareholders' equity and cash flows for the years then ended and the separate financial statements of TISCO Finance Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

I did not audit the financial statements for the years 2002 and 2001 of one subsidiary company, Thai Permsub Finance Company Limited, which statements reflect total assets as at 31 December 2002 and 2001 of approximately Baht 72 million and Baht 68 million respectively, total revenues for the years ended 31 December 2002 and 2001 of approximately Baht 6 million and Baht 69 million respectively, net earnings for the year ended 31 December 2002 of approximately Baht 5 million and net losses for the year ended 31 December 2001 of approximately Baht 0.09 million. Those amounts were included in the consolidated financial statements. I have however received an audit report from the subsidiary's auditor, who expressed an unqualified audit opinion on those financial statements (2001 : expressed an unqualified audit opinion and drew attention to the uncertainty of the economic situation). My opinion, insofar as it relates to the amounts pertaining to this subsidiary which are included in the consolidated financial statements for 2002 and 2001, is based solely on the report of that other auditor.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of TISCO Finance Public Company Limited and its subsidiaries and of TISCO Finance Public Company Limited as at 31 December 2002 and 2001, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.

Narong Puntawong

Certified Public Accountant (Thailand) No. 3315

Ernst & Young Office Limited

Bangkok : 6 February 2003

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
ASSETS					
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	4	832,613,406	716,084,574	283,654,851	106,557,178
LOANS TO FINANCIAL INSTITUTIONS	5	735,205,697	135,890,420	-	-
INVESTMENT IN SECURITIES	6,7,10				
Current investment - net		2,598,948,561	3,331,411,437	2,235,283,775	2,691,379,002
Long-term investment - net		3,737,982,258	6,008,021,727	3,623,686,850	5,876,564,011
Investment in subsidiaries and associated companies - net		24,981,601	21,898,081	4,759,602,598	4,246,551,297
Net investments		6,361,912,420 #	9,361,331,245 #	10,618,573,223 #	12,814,494,310
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		85,901,326	36,031,079	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	8,10				
Finance business loans and receivable		39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Securities business receivable		1,099,602,791	905,717,370	-	-
Total loans and receivable		40,637,389,137	32,385,038,663	34,589,394,520	28,426,059,855
Accrued interest receivable		112,133,972	201,559,077	83,757,276	184,535,690
Total loans, receivable and accrued interest receivable		40,749,523,109	32,586,597,740	34,673,151,796	28,610,595,545
Less : Allowance for doubtful accounts	9	(4,232,249,692)	(1,817,393,315)	(3,393,631,652)	(973,183,152)
Less : Allowance for loss on debt restructuring	9	(462,267,957)	(333,862,492)	(462,267,957)	(333,862,492)
Net loans, receivable and accrued interest receivable		36,055,005,460 #	30,435,341,933 #	30,817,252,187 #	27,303,549,901
PROPERTY FORECLOSED - net	11	1,316,814,782	2,236,958,660	1,307,961,405	2,228,951,914
LAND, PREMISES AND EQUIPMENT - net	12	1,344,448,550	1,429,802,681	827,988,049	819,404,196
DEFERRED TAX ASSETS		260,697,463	256,685,511	254,485,565	254,614,373
GOODWILL	2	833,475,770	881,650,314	-	-
OTHER ASSETS	13	1,386,111,305	1,401,355,108	1,045,626,415	944,850,773
TOTAL ASSETS		49,212,186,179 #	46,891,131,525 #	45,155,541,695 #	44,472,422,645

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
	14				
From public		30,943,746,418	35,457,648,500	30,492,497,798	35,330,968,085
From banks		2,259,109,462	1,159,268,038	289,018,870	173,461,730
From financial institutions		1,005,111,315	1,535,437,031	913,786,079	1,583,209,705
From foreign countries		53,384,018	57,174,741	53,384,018	57,174,741
Total borrowings and deposits		34,261,351,213	38,209,528,310	31,748,686,765	37,144,814,261
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS	15	-	100,000,000	-	100,000,000
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		426,888,698	88,035,997	-	-
SECURITIES BUSINESS PAYABLE		431,448,657	568,706,778	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD		357,000,000	195,000,000	357,000,000	195,000,000
ACCRUED INTEREST PAYABLE		186,886,572	139,968,436	181,045,360	134,366,809
DEBENTURES	16	5,131,000,000	331,000,000	5,131,000,000	331,000,000
OTHER LIABILITIES	17	605,381,294	570,362,146	358,395,635	312,266,970
TOTAL LIABILITIES		41,399,956,434	40,202,601,667	37,776,127,760	38,217,448,040
SHAREHOLDERS' EQUITY					
Share capital	18				
Registered					
1,000,000,000 preference shares of Baht 10 each and 100,200,000 ordinary shares of Baht 10 each		11,002,000,000	11,002,000,000	11,002,000,000	11,002,000,000
Issued and paid up					
215,836,680 preference shares of Baht 10 each (2001 : 508,691,200 preference shares of Baht 10 each)		2,158,366,800	5,086,912,000	2,158,366,800	5,086,912,000
490,697,820 ordinary shares of Baht 10 each (2001 : 193,173,800 ordinary shares of Baht 10 each)		4,906,978,200	1,931,738,000	4,906,978,200	1,931,738,000
		7,065,345,000	7,018,650,000	7,065,345,000	7,018,650,000
Share premium					
Share premium of preference shares		1,184,895	-	1,184,895	-
Share premium of ordinary shares		36,500,000	36,500,000	36,500,000	36,500,000
Preference shares subscription received in advance		-	350,000	-	350,000
Revaluation surplus on changes in the value of investment	21	58,797,600	126,793,564	58,797,600	126,793,564
Translation adjustments		127,318,922	136,463,224	127,318,922	136,463,224
Retained earnings					
Appropriated - statutory reserve	20	48,700,000	48,700,000	48,700,000	48,700,000
Unappropriated (deficit)		41,567,518	(1,112,482,183)	41,567,518	(1,112,482,183)
Equity attributable to Company's shareholders		7,379,413,935	6,254,974,605	7,379,413,935	6,254,974,605
Minority interest - equity attributable to minority shareholders of subsidiaries		432,815,810	433,555,253	-	-
TOTAL SHAREHOLDERS' EQUITY		7,812,229,745	6,688,529,858	7,379,413,935	6,254,974,605
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		49,212,186,179	46,891,131,525	45,155,541,695	44,472,422,645
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
	31				
Aval to bills		771,762,686	1,445,234,274	771,762,686	1,445,234,274
Guarantees of loans and others		521,879,371	409,381,026	521,879,371	409,381,026

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

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Mr. Pichai Chanvirachart
(President)

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF EARNINGS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
INTEREST AND DIVIDEND INCOME					
Loans and deposits		1,036,470,747	1,155,963,549	1,030,310,764	1,202,125,019
Hire purchase and financial lease		1,849,728,024	1,393,027,077	1,240,366,889	891,730,359
Investments in securities		482,873,228	563,220,073	507,329,413	552,925,792
Total interest and dividend income		3,369,071,999	3,112,210,699	2,778,007,066	2,646,781,170
EXPENSES ON BORROWINGS					
Interest and discounts		1,259,748,447	1,338,463,443	1,199,609,050	1,306,493,959
Fees and charges		7,282,756	6,427,841	931,074	2,259,247
Total expenses on borrowings		1,267,031,203	1,344,891,284	1,200,540,124	1,308,753,206
Net interest and dividend income		2,102,040,796	1,767,319,415	1,577,466,942	1,338,027,964
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS					
(BAD DEBT AND DOUBTFUL ACCOUNTS)		(465,571,909)	20,192,153	(432,288,802)	(6,356,035)
LOSS ON DEBT RESTRUCTURING					
(Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring)		(52,168,345)	(191,297,230)	(32,636,038)	(191,297,230)
NON-INTEREST INCOME					
Brokerage fees		353,341,171	172,504,995	-	-
Gain (loss) on investments	22	624,760,511	200,833,847	508,390,150	(12,768,003)
Fees and charges		549,936,048	591,937,081	232,617,850	121,782,131
Fees and gain (loss) on forward exchange		6,986,384	4,407,438	(150,359)	(55,600)
Share of profit of subsidiary and associated companies		1,515,874	240,706	519,543,881	636,171,317
Other income		224,784,780	486,903,514	195,141,411	181,534,479
Total non-interest income		1,761,324,768	1,456,827,581	1,455,542,933	926,664,324
Total net income		3,345,625,310	3,053,041,919	2,568,085,035	2,067,039,023
OPERATING EXPENSES					
Personnel expenses		810,582,819	751,587,026	309,371,353	254,108,779
Premises and equipment expenses		350,420,085	352,629,404	215,469,330	188,108,252
Taxes and duties		82,639,834	78,133,490	75,699,729	72,886,330
Directors' remuneration	23	6,710,000	10,275,365	5,770,000	5,540,000
Other expenses		713,350,845	845,487,539	807,596,114	691,033,902
Total operating expenses		1,963,703,583	2,038,112,824	1,413,906,526	1,211,677,263
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST					
		1,381,921,727	1,014,929,095	1,154,178,509	855,361,760
CORPORATE INCOME TAX					
	24	(190,127,343)	(206,272,778)	(128,808)	(16,775,788)
EARNINGS BEFORE MINORITY INTEREST AND LOSS OF					
A SUBSIDIARY COMPANY PRIOR TO THE ACQUISITION DATE					
		1,191,794,384	808,656,317	1,154,049,701	838,585,972
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES					
		(37,744,683)	(40,328,121)	-	-
NET LOSS OF A SUBSIDIARY COMPANY PRIOR TO					
THE ACQUISITION DATE					
	2(b)	-	70,257,776	-	-
NET EARNINGS FOR THE YEAR					
		1,154,049,701	838,585,972	1,154,049,701	838,585,972
EARNINGS PER SHARE					
	27				
Basic earnings per share		3.35	4.61	3.35	4.61
Diluted earnings per share		1.60	1.17	1.60	1.17

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED										
	Issued and paid-up share capital		Share premium		Preference shares	Surplus (deficit)	Translation	Statutory	Unappropriated	Minority interest-	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	subscription received in advance	from changes in the value of investment	adjustments	reserve	retained earnings (deficit)	to minority shareholders	
Balance as at 31 December 2000	5,475,182,000	1,526,818,000	-	36,500,000	-	(155,558,483)	130,955,792	48,700,000	(1,951,068,155)	434,743,103	5,546,272,257
Increase in fair value of investments	-	-	-	-	-	282,352,047	-	-	-	-	282,352,047
Increase in translation adjustments	-	-	-	-	-	-	5,507,432	-	-	-	5,507,432
Net earnings for the year	-	-	-	-	-	-	-	-	838,585,972	-	838,585,972
Warrants converted to preference shares	16,650,000	-	-	-	350,000	-	-	-	-	-	17,000,000
Preference shares converted to ordinary shares	(404,920,000)	404,920,000	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(1,187,850)	(1,187,850)
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	433,555,253	6,688,529,858
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	-	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(739,443)	(739,443)
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	432,815,810	7,812,229,745

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
 STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
 FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001
 (Unit : Baht)

THE COMPANY ONLY

	Issued and paid-up share capital		Share premium		Preference shares	Surplus (deficit)	Translation	Statutory	Unappropriated	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	subscription received	from changes in the	adjustments	reserve	retained	
					in advance	value of investment			earnings (deficit)	
Balance as at 31 December 2000	5,475,182,000	1,526,818,000	-	36,500,000	-	(155,558,483)	130,955,792	48,700,000	(1,951,068,155)	5,111,529,154
Increase in fair value of investments	-	-	-	-	-	282,352,047	-	-	-	282,352,047
Increase in translation adjustments	-	-	-	-	-	-	5,507,432	-	-	5,507,432
Net earnings for the year	-	-	-	-	-	-	-	-	838,585,972	838,585,972
Warrants converted to preference shares	16,650,000	-	-	-	350,000	-	-	-	-	17,000,000
Preference shares converted to ordinary shares	(404,920,000)	404,920,000	-	-	-	-	-	-	-	-
Balance as at 31 December 2001	5,086,912,000	1,931,738,000	-	36,500,000	350,000	126,793,564	136,463,224	48,700,000	(1,112,482,183)	6,254,974,605
Decrease in fair value of investments	-	-	-	-	-	(67,995,964)	-	-	-	(67,995,964)
Decrease in translation adjustments	-	-	-	-	-	-	(9,144,302)	-	-	(9,144,302)
Net earnings for the year	-	-	-	-	-	-	-	-	1,154,049,701	1,154,049,701
Warrants converted to preference shares	46,695,000	-	1,184,895	-	(350,000)	-	-	-	-	47,529,895
Preference shares converted to ordinary shares	(2,975,240,200)	2,975,240,200	-	-	-	-	-	-	-	-
Balance as at 31 December 2002	2,158,366,800	4,906,978,200	1,184,895	36,500,000	-	58,797,600	127,318,922	48,700,000	41,567,518	7,379,413,935

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from operating activities				
Net earnings	1,154,049,701	838,585,972	1,154,049,701	838,585,972
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	37,744,683	40,328,121	-	-
Net loss of a subsidiary company prior to the acquisition date	-	(70,257,776)	-	-
Share of net gain of subsidiary and associated companies	(1,515,874)	(240,706)	(519,543,881)	(636,171,317)
Depreciation and amortisation	218,507,922	124,796,243	90,262,382	77,240,054
Bad debt and doubtful accounts	507,555,705	88,929,504	466,347,855	277,602,450
Unrealised gain on revaluation of investment	(16,755,822)	(330,515,204)	(14,940,861)	(299,551,829)
Provision for revaluation of property foreclosed	8,702,351	34,732,105	7,732,634	34,975,401
Unrealised gain from transfer of investments	-	(2,109)	-	-
Loss from troubled debt restructuring	52,168,345	191,297,230	32,636,038	191,297,230
Gain on disposal of investments	(540,115,940)	(60,977,115)	(500,263,182)	(18,459,649)
Gain on disposal of fixed assets	(10,091,239)	(4,152,652)	(1,514,255)	(1,948,980)
Unrealised loss (gain) on decrease (increase) of securities held for trading	136,891,963	(210,867,486)	-	-
Gain from disposal of property foreclosed	(99,369,285)	(45,252,239)	(99,369,285)	(45,252,239)
Decrease (increase) in deferred tax assets	(4,011,952)	17,896,354	128,808	16,775,788
Decrease (increase) in accrued interest and dividend receivable	200,182,740	(14,798,931)	209,584,381	(3,927,561)
Increase in other receivable	(29,150,338)	(5,885,931)	(31,498,203)	(2,506,071)
Increase (decrease) in accrued interest payable	46,918,136	(51,129,317)	46,678,551	(56,046,010)
Increase (decrease) in accrued expenses	(1,348,865)	(33,182,285)	876,083	(34,531,521)
Earnings from operating activities before changes in operating assets and liabilities	1,660,362,231	509,303,778	841,166,766	338,081,718
Decrease (increase) in operating assets				
Loans to financial institutions	(599,315,277)	(23,415,292)	-	-
Negotiable certificates of deposit	14,667,332	(19,046,411)	-	-
Investment in securities - held for trading	219,811,658	195,935,128	-	-
Trading transactions with securities companies	(49,870,247)	49,311,698	-	-
Finance business loans and receivable	(5,543,122,186)	(5,922,751,636)	(3,778,652,904)	(3,805,830,716)
Securities business receivable	(203,309,542)	(204,682,145)	-	-
Property foreclosed	618,082,698	153,156,365	619,899,046	131,863,096
Other assets	(102,419,099)	(350,788,447)	(207,399,026)	(226,089,269)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	(4,513,902,082)	4,238,899,539	(4,838,470,287)	4,217,169,607
Borrowings and deposits from banks and financial institutions	608,491,251	479,724,688	(553,866,486)	(24,807,899)
Borrowings and deposits from foreign countries	(3,790,723)	(31,992,452)	(3,790,723)	(31,992,452)
Securities sold under repurchase agreements	(100,000,000)	100,000,000	(100,000,000)	100,000,000
Trading transactions with securities companies	338,852,701	54,443,981	-	-
Liabilities under commercial paper sold	162,000,000	(105,000,000)	162,000,000	(105,000,000)
Securities business payable	(118,658,121)	171,323,217	-	-
Other liabilities	(116,129,961)	433,853,115	60,791,568	51,208,339
Net cash flows from (used in) operating activities	(7,728,249,367)	(271,724,874)	(7,798,322,046)	644,602,424

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(7,822,635,414)	(15,760,281,206)	(7,422,716,546)	(16,097,901,156)
Cash received from disposal of investment in securities held for investment	10,935,364,738	16,164,433,498	10,572,952,831	15,571,824,699
Cash paid for purchase of equipment	(71,475,740)	(92,111,338)	(24,258,053)	(43,010,262)
Cash received from disposal of equipment	19,806,354	29,357,913	1,911,592	4,519,348
Cash paid for purchase of a subsidiary company	-	(149,810,235)	-	(149,810,235)
Net cash flows from (used in) investing activities	<u>3,061,059,938</u>	<u>191,588,632</u>	<u>3,127,889,824</u>	<u>(714,377,606)</u>
Cash flows from financing activities				
Cash received from issuance of debentures	4,800,000,000	-	4,800,000,000	-
Cash received from issuance of preference shares	47,529,895	17,000,000	47,529,895	17,000,000
Dividend paid	(40,000,000)	(40,000,000)	-	-
Net cash flows from (used in) financing activities	<u>4,807,529,895</u>	<u>(23,000,000)</u>	<u>4,847,529,895</u>	<u>17,000,000</u>
Translation adjustment	<u>(9,144,302)</u>	<u>5,507,432</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	131,196,164	(97,628,810)	177,097,673	(52,775,182)
Cash and cash equivalents at beginning of the year	665,732,838	704,349,224	106,557,178	159,332,360
Add : Cash and cash equivalents at the purchase date of the new acquired subsidiary company	-	59,012,424	-	-
Cash and cash equivalents at end of the year (Note 28)	<u>796,929,002</u>	<u>665,732,838</u>	<u>283,654,851</u>	<u>106,557,178</u>
Supplemental cash flows information :-				
Cash paid during the year for				
Interest	1,210,565,816	1,461,000,792	1,152,930,499	1,362,539,969
Corporate income tax	238,652,241	82,735,281	11,865,821	6,521,759
Non-cash transactions				
Conversion of preference shares to ordinary shares	2,975,240,200	404,920,000	2,975,240,200	404,920,000
Transfer of assets from troubled debt restructuring	-	115,734,643	-	115,734,643

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

TISCO FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 Company's information

TISCO Finance Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and has been licensed by the Ministry of Finance to operate a finance business. The Company's registered office is located at 48/2 TISCO Tower, 1st Floor, North Sathorn Road, Silom, Bangrak, Bangkok. The Company has 10 provincial offices in Thailand.

1.2 Assumption of preparation of the financial statements

Although Thailand's economic crisis has eased to a certain extent, financial restructuring within the business community is still prevalent and subject to readjustment. The residual effects of the crisis could affect the recoverable value of assets and the collection of loans and receivables. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial positions of the Company and its subsidiaries. Actual results could differ from management's current assessments.

1.3 The Emergency Decree establishing Thai asset Management Corporation

In June 2001 the Government issued an Emergency Decree establishing Thai Asset Management Corporation (TAMC). Under this Emergency Decree, financial institutions may choose whether to join the scheme and transfer those of their non-performing assets which meet the stipulated conditions to TAMC, within the specified timeframe. The assets are to be transferred at a price equal to the value of the collateral or a price stipulated by the Board of TAMC and any future profits and losses from the non-performing assets are to be shared.

The Emergency Decree stipulates that financial institutions which do not enter the scheme must have the value of collateral reappraised and, within a stipulated period, set up a provision for all types of non-performing assets at 100% of their book value after deducting collateral values.

The Company decided not to join the scheme and had the collateral values of those non-performing assets which meet the stipulated conditions for transfer to TAMC reappraised. The Company has set up provision for all types of non-performing assets at 100% of their book value after deducting collateral values.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of TISCO Finance Public Company Limited (the “Company”) and its subsidiary companies (the “subsidiaries”) after eliminating material intercompany balances and transactions. Those subsidiaries are set out below.

	(Unit : Percentage)							
	Percentage of shares held by the Company		Subsidiaries’ total revenues as				Subsidiaries’ net earnings	
			a				(loss) as a percentage to the consolidated total for the years ended 31 December	
	Subsidiaries’ total assets as a percentage to the consolidated total		percentage to the consolidated total for the years ended 31 December					
2002	2001	2002	2001	2002	2001	2002	2001	
<u>Subsidiaries directly owned by the Company</u>								
TISCO Securities Hong Kong Limited	100.00	100.00	1.85	1.51	1.15	2.07	(2.31)	(0.45)
TISCO Securities Co., Ltd.	99.99	99.99	2.92	4.19	9.37	11.72	11.66	26.47
Tru-Way Co., Ltd.	99.99	99.99	0.82	1.33	0.77	1.70	0.89	11.69
Thai Commercial Auto Co., Ltd.	50.00	50.00	5.66	3.84	4.21	4.44	7.54	10.17
Thai Permsub Finance Co., Ltd.	99.99	99.99	0.15	0.14	0.11	1.65	0.45	(8.39)
<u>Subsidiaries indirectly owned by the Company</u>								
TISCO Asset Management Co., Ltd.	99.99	99.99	0.67	0.55	4.39	5.54	9.48	14.50
TISCO Global Investment Holdings Limited	100.00	100.00	0.12	0.13	0.19	0.52	0.80	2.15
TISCO Securities UK Limited	100.00	100.00	0.16	0.10	0.18	0.01	(1.74)	(0.58)
TISCO Leasing Co., Ltd.	99.99	99.99	1.90	1.59	2.05	2.14	3.69	0.31
Hi-Way Co., Ltd.	99.99	99.99	2.31	1.54	6.95	11.46	9.34	13.80
Thai Information Technology Co., Ltd.	99.99	99.99	0.28	0.37	0.22	0.21	(9.58)	(14.10)
TW Auto Co., Ltd.	-	99.99	-	-	-	-	-	-

- a) The Company and its subsidiaries were all incorporated and operate in Thailand, except TISCO Securities Hong Kong Limited and TISCO Global Investment Holdings Limited, which were incorporated and operate in Hong Kong; and TISCO Securities UK Limited, which was incorporated and operates in the United Kingdom.
- b) On 20 November 2001, the Company acquired all ordinary shares of Thai Permsub Finance Company Limited (formerly known as “Thai Sakura Finance Company Limited”) for a consideration of Baht 149.8 million. As of the acquisition date, the cost of this investment was Baht 82 million higher than the fair value of the subsidiary’s net assets value. The excess was recorded as “Goodwill” in the consolidated balance sheets.

In preparing the consolidated earnings statement for the year 2001, the Company incorporated the revenues and expenses of this subsidiary for the entire year in the consolidated totals. However, in order for the earnings statement to reflect only the post-acquisition earnings, the subsidiary's operating results prior to the acquisition date (a net loss of approximately Baht 70.2 million) were excluded and presented as a separate item in the consolidated earnings statement for the year 2001.

- c) The financial statements of overseas subsidiaries are translated to Thai Baht at the average closing exchange rate as to assets and liabilities, and at the average exchange rate at transaction dates as to revenues and expenses. The resultant difference has been shown under the caption of "Translation adjustments" within shareholders' equity.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand (ICAAT), which are effective under the Accounting Act B.E. 2543, and in accordance with the Notifications of the Bank of Thailand and the Office of the Securities and Exchange Commission.

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

3.1 Revenue recognition

- a) Interest and discounts on loans

Interest is recognised as income on an accrual basis and is based on principal outstanding. Hire-purchase and financial lease income are recognized over the installment period, using the effective interest rate.

For loans and receivables on which interest payments have been defaulted for more than one month, it is the policy of the Company and its subsidiaries to cease accruing income on such loans and receivables. For hire purchase and financial lease accounts which are overdue for more than three months, the recognition of interest income is ceased. The recorded accrued interest will be reversed from the Company and its subsidiaries' accounts and interest will be recognised as income on a cash basis.

Accrual of interest is ceased for margin loans on which interest is overdue by more than two months and interest is recognised on a cash basis.

The accounts will be reinstated to “accrual basis” when the overdue amount are received.

Interest or discounts already included in the face value of notes receivable or loans are recorded as deferred interest and taken up as income evenly throughout the term of the notes or loans.

b) Interest and dividends on investment in securities

Interest on investment is recognised as income on an accrual basis. Dividends from securities are recognised as income when the dividends are declared.

c) Commissions and brokerage

Brokerage on securities trading is recognised as income on the transaction dates.

d) Gain (loss) on trading in securities

Gain (loss) on trading of investment in securities are recognised as income/expense on the transaction dates.

e) Fees and service income

Fees and service income are recognised as income on an accrual basis.

3.2 Interest expenses

Interest expenses are charged to earnings on an accrual basis. Interest included in the face value of the notes payable is recorded as deferred interest and amortised to expenses evenly throughout the term of the notes.

3.3 Investments in securities

Investments in securities held for trading purposes are determined at fair value. Gains or losses arising from changes in the value of securities are included in the determining earnings.

Investments in available-for-sale securities, both held for short-term and long-term investment, are determined at fair value. Changes in the value of the securities are shown as separate items in shareholders’ equity until the securities are sold, the changes are then included in determining earnings.

Investments in debt securities, both due within one year or expected to be held to maturity, are determined at cost after amortisation.

The premium/discount on debt securities is amortised by the effective rate method with the amortised amount presented as an adjustment to the interest income.

The fair value of marketable securities is based on the latest bid price of the last working day of the period as quoted on the Stock Exchange of Thailand. The fair value of government bonds, state enterprise securities and private debt instruments is determined by using the formula quoted by the Bank of Thailand, which is based on the yield rate quoted by the Thai Bond Dealing Center or other financial institutions. The fair value of unit trusts is determined based on their net asset value.

Losses on impairment (if any) of the investments in available-for-sale securities, debt securities due within one year or expected to be held to maturity and other investments are included in determining earnings.

The moving average method is used for computation of the cost of investment.

In the event the Company and its subsidiaries reclassify their investments in securities, the investments are adjusted to their fair value as at the reclassification date. Differences between the carrying amount of the investments and their fair value on that date are included in determining earnings or recorded as a surplus (deficit) from change in the value of investments in shareholders' equity, depending on the type of investment which is reclassified.

3.4 Investments in receivables purchased or transferred in and allowance for impairment of investments

Investments in receivables are recognised as other investments and shown at their acquisition cost net of allowance for impairment (if any). Impairment losses are presented in the earnings statements.

Allowance for impairment in the value of investments in receivables acquired is set up in accordance with the guidelines and regulations of the Bank of Thailand, together with analysis of the payment ability and status of each receivable acquired. The Company also uses experience to consider the level of risk and the value of collateral.

The Company classifies investments in receivables and sets up allowance for impairment based on the guidelines laid down by the BOT on provisioning rates for doubtful debt and the appraisal of collateral. Such provisioning is to be made with reference to the overdue period starting from the acquisition of investments and the value of collateral.

3.5 Investment in subsidiary and associated companies

Investments in subsidiary and associated companies are accounted for by the equity method. Under this method investment are initially recorded at cost, with the excess of the cost of the investment over the net book value at the acquisition date are amortised over a period of twenty years (after the change of estimate as discussed in the second paragraph). In each period after the purchase, investments are adjusted for the share of earnings from the operations of the subsidiaries, these amounts are in proportion to the investment.

During the third quarter of 2001, the Company changed an estimate of the useful life of goodwill arising from its investment in Tru-Way Company Limited and TISCO Asset Management Company Limited from 5 years to 20 years. Based on the projection of future benefits to be derived from these investments, the Company believes that the investments will generate benefits to the Company over a period longer than the 5 years originally estimated. The Company has therefore changed the period of amortisation of the goodwill from 5 years to 20 years, effective from the third quarter of 2001 onwards.

3.6 Loans and receivables

The Company presents loans and receivables at principal balances, excluding accrued interest receivables. Unrecognised deferred income/discount on loans are deducted from loans.

3.7 Allowance for doubtful accounts and losses from troubled debt restructuring

The Company and its subsidiaries provide allowances for doubtful accounts and losses from troubled debt restructuring in accordance with the notifications of the Bank of Thailand (“BOT”) or the Office of the Securities and Exchange Commission (“SEC”) and adjust the additional amount by which they expected not to be collectible. Judgment on the adequacy of the amount of allowance for doubtful accounts is based on the results of an evaluation of the current status of the debtors, in conjunction with the criteria laid down by the BOT or SEC in relation to the classification of loans, provisioning rates, valuation of collateral and reclassification of restructured loans.

An allowance for doubtful accounts for the hire-purchase and financial lease receivable of the subsidiaries is based on a percentage of the outstanding balance, net of unearned interest income. At the balance sheet date, the adequacy of the allowance for doubtful accounts is reviewed taking into consideration the current status of debtors. Accounts considered as uncollectible are written off as bad debts.

3.8 Troubled debt restructuring

The Company records troubled debt restructuring transactions in accordance with the Bank of Thailand's regulations and Accounting Standard No. 34 "Accounting for Troubled Debts Restructuring" as pronounced by the Institute of Certified Accountants and Auditors of Thailand. The assets and equities was transferred to the Company for debt settlement at lower of fair values of the assets, less estimated selling expenses, or the amount of investment in receivables (excluding non-accrued interest income at the restructuring date).

In case where the debt restructuring involves modifications of terms of receivables, the fair value of investment in receivables after restructuring represents the net present value of the expected future cash flows, using the Minimum Lending Rates (MLR) prevailing at the restructuring date. The Company recorded the difference between the fair value of investment in receivables, and the amount of investments in receivables as of restructuring date as expenses in the earnings statements. Losses arising from restructuring by waiver of part of principal or recorded accrued interest receivable, less recorded allowance, are recognised in the statement of earnings when incurred.

3.9 Property foreclosed

Property foreclosed is stated at the lower of cost or net realisable value.

3.10 Financial lease

The Company and its subsidiaries record assets under financial leases as assets and liabilities at the fair value of leased assets on the commencing date of the lease or at the present value of the minimum payments stipulated in the lease agreement, whichever is lower. The Company and its subsidiaries use the interest rate specified in the lease agreement as the discount rate for calculating the present value of minimum payments. Interest is recorded throughout the lease period based on the outstanding amount payable in each period.

3.11 Depreciation and amortisation

- a) Land, premises and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by reference to their cost on the straight-line method over the following estimated useful lives (with the exception of the depreciation of computer and communication equipment acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years) :-

Buildings and office condominium units	-	20	years
Office improvements	-	5	years
Furniture, fixtures and equipment	-	5	years
Motor vehicles	-	5	years

No depreciation is provided for land.

- b) Leasehold rights are amortised to expenses on a straight-line basis over the lease period of 12, 13.5 and 15 years.
- c) Software license fees are deferred and amortised over the period of the license agreements, which are for periods of 5 and 10 years. (with the exception of the amortisation of software licenses acquired since 2000, which is calculated using the sum-of-the-years-digits method over estimated useful lives of 3 years).
- d) Licenses to trade securities on the Hong Kong Exchange and Clearing Limited (“HKEC”) are stated at cost less amortisation on a straight-line basis over 10 years.

3.12 Deferred tax assets/liabilities

The Company and its subsidiaries provide for deferred income tax resulting from temporary differences in reporting income and expenses for financial reporting compared to income tax reporting. Accordingly, the income tax applicable to income which is not currently recognised, or to expenses which are not currently deductible for income tax purposes are set up as “Deferred income taxes” in the balance sheets. This will be allocated to future periods when the income is realised, or the expenses provided for, are actually incurred and considered deductible for income tax purposes.

However, the Company and its subsidiaries will recognise tax benefits as assets in its books of account if it is highly probable that the Company and its subsidiaries will generate sufficient profits from their future operations to utilise these benefits.

3.13 Sales of commercial paper

The Company records sales of commercial paper purchased at a discount in the manner prescribed by the Bank of Thailand Announcement dated 17 May 1990, which is as follows :-

- a) Commercial paper with an aval or acceptance by a bank or another finance company and which was sold at a discount and without recourse, is credited to the debtors account at the face value of the commercial paper purchased. For commercial paper sold at a discount with aval or acceptance of the type described above, and sold with recourse, the outstanding balance from the sale is disclosed as part of “Contingent liabilities”.
- b) Commercial paper without an aval or acceptance and with a value of Baht 10 million or more per paper and sold without recourse, is credited to the debtor accounts. If a commercial paper is sold with recourse and has a value of less than Baht 10 million, the transaction is recorded as a liability, under the caption of “Liabilities from commercial paper sold”.

3.14 Foreign currencies

Foreign currency transactions during the year have been translated into Baht at the rates ruling on the transaction dates. Assets and liabilities in foreign currencies outstanding on the balance sheet date have been translated into Baht at the rates ruling on the balance sheet date, except those covered by forward exchange contracts have been translated at the contract rates.

Exchange gains and losses are included in determining earnings. Premium on forward contracts is amortised over the contract period.

3.15 Financial instruments

Financial instruments presented in the balance sheets comprise cash and deposits at financial institutions, loans to financial institutions, investments, loans, receivables and accrued interest receivables, trading transactions with securities companies, borrowings and deposits, securities sold under repurchase agreements and securities business payables. The accounting policy for each transaction is separately and individually disclosed.

3.16 Basic earnings per share

Basic earnings per share is calculated by dividing net earnings for the year by the weighted average number of ordinary shares issuing during the year.

Diluted earnings per share is calculated by dividing net earnings for the year by the total sum of the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares to be issued upon conversion of all potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

3.17 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in setting up allowances for impairment of investments and property foreclosed, allowance for doubtful accounts and losses from troubled debt restructuring. Making such estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

Cash and deposits at financial institutions represent cash and all types of Baht and foreign currency deposits at banks and other financial institutions.

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Cash	3,927,680	6,560,203	1,546,536	1,348,472
Cash at banks	793,001,322	659,172,635	282,108,315	105,208,706
Negotiable certificates of deposit	35,684,404	50,351,736	-	-
Total	<u>832,613,406</u>	<u>716,084,574</u>	<u>283,654,851</u>	<u>106,557,178</u>

As at 31 December 2002, a Baht 36 million (2001 : Baht 33 million) of the subsidiary's negotiable certificate deposit is stated at its face value less unearned interest income amounting to Baht 0.3 million (2001 : Baht 3 million). During the year, the subsidiary recognized interest income of approximately Baht 2 million (2001 : Baht 2 million).

As at 31 December 2002, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 26 million (the Company only : Baht 16 million) were pledged with the banks to secure facilities provided for use as working capital.

As at 31 December 2002, approximately Baht 100 million (2001 : Baht 102 million) of the foreign subsidiary's cash deposits at banks were pledged with the bank to secure the credit facility.

5. LOANS TO FINANCIAL INSTITUTIONS

These include all types of loans to local and foreign financial institutions, but exclude the deposits with financial institutions as referred to in Note 4.

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Call loans	381,852,764	58,811,301	-	-
Term loans	352,000,000	75,698,700	-	-
Total loans	733,852,764	134,510,001	-	-
Add : Accrued interest receivable	1,352,933	1,380,300	-	-
Net loans to financial institutions	<u>735,205,697</u>	<u>135,890,301</u>	<u>-</u>	<u>-</u>

6. INVESTMENTS IN SECURITIES

(Unit : Baht)

	Consolidated			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Current investment</u>				
Trading securities				
Equity securities :				
Domestic marketable equity securities	277,993,50	261,591,55	474,335,784	594,271,350
Add (less) : Allowance for changes in value	(16,401,95)		119,935,566	
Net equity securities	261,591,55		594,271,350	
Total trading securities	261,591,55		594,271,350	
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	1,807,660,71	1,808,765,00	1,660,075,995	1,807,041,487
Debt securities of private sector	267,712,81	279,610,29	499,676,213	520,896,556
Total	2,075,373,52	2,088,375,30	2,159,752,208	2,327,938,043
Add (less) : Allowance for changes in value	13,001,77		168,185,835	
Debt securities - net	2,088,375,30		2,327,938,043	
Equity securities :				
Domestic marketable equity securities	243,250,42	217,098,48	468,750,082	397,894,044
Other securities - unit trusts	33,392,09	31,883,21	11,997,490	11,308,000
Total	276,642,52	248,981,70	480,747,572	409,202,044
Add (less) : Allowance for changes in value	(27,660,82)		(71,545,528)	
Net equity securities	248,981,70		409,202,044	
Total available-for-sales securities	2,337,357,00		2,737,140,087	
Net current investments	2,598,948,56		3,331,411,437	

(Unit : Baht)

	Consolidated			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Long-term investment</u>				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	739,043,130	723,999,111	749,620,093	685,699,860
Add (less) : Allowance for changes in value	45,369,981		15,532,167	
Less : Allowance for impairment	(60,414,000)		(79,452,400)	
Debt securities - net	<u>723,999,111</u>		<u>685,699,860</u>	
Equity securities :				
Domestic marketable equity securities	801,883,401	808,492,071	56,262,159	75,228,188
Other securities - unit trusts	293,587,171	289,530,701	349,697,210	345,109,388
Total	<u>1,095,470,580</u>	<u>1,098,022,772</u>	<u>405,959,369</u>	<u>420,337,576</u>
Add (less) : Allowance for changes in value	2,552,190		16,700,481	
Less : Allowance for impairment	-		(2,322,274)	
Net equity securities	<u>1,098,022,770</u>		<u>420,337,576</u>	
Total available-for-sales securities	<u>1,822,021,881</u>		<u>1,106,037,436</u>	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	338,820,121		3,343,254,996	
Debt securities of private sector	<u>380,437,271</u>		<u>405,529,610</u>	
Total held-to-maturity debt securities	<u>719,257,400</u>		<u>3,748,784,606</u>	
Other investment				
Equity securities :				
Domestic non-marketable equity securities	1,289,378,651		1,286,710,499	
Investment in receivables	195,330,940		235,623,807	
Add (less) : Allowance for changes in value	-		(3,722,263)	
Less : Allowance for impairment	<u>(288,006,621)</u>		<u>(365,412,358)</u>	
Total other investment	<u>1,196,702,970</u>		<u>1,153,199,685</u>	
Net long-term investments	<u>3,737,982,251</u>		<u>6,008,021,727</u>	
<u>Investment in subsidiaries and associated companies</u>				
Investment in associated companies	<u>24,981,601</u>		<u>21,898,081</u>	
Net investments	<u>6,361,912,420</u>		<u>9,361,331,245</u>	

(Unit : Baht)

	The Company Only			
	2002		2001	
	Cost / Book value	Fair value	Cost / Book value	Fair value
<u>Current investment</u>				
Available-for-sales securities				
Debt securities :				
Government and state enterprise securities	1,743,821,12	1,744,908,77	1,659,970,910	1,806,936,402
Debt securities of private sector	230,912,81	241,393,29	453,676,213	475,240,556
Total	1,974,733,93	1,986,302,07	2,113,647,123	2,282,176,958
Add (less) : Allowance for changes in value	11,568,13		168,529,835	
Debt securities - net	1,986,302,07		2,282,176,958	
Equity securities :				
Domestic marketable equity securities	243,250,42	217,098,48	468,750,082	397,894,044
Other securities - unit trusts	33,392,09	31,883,21	11,997,490	11,308,000
Total	276,642,52	248,981,70	480,747,572	409,202,044
Add (less) : Allowance for changes in value	(27,660,82)		(71,545,528)	
Net equity securities	248,981,70		409,202,044	
Net available-for-sales securities	2,235,283,77		2,691,379,002	
Net current investments	2,235,283,77		2,691,379,002	
<u>Long-term investment</u>				
Available-for-sales securities				
Debt securities :				
Debt securities of private sector	739,043,13	723,999,11	749,620,093	685,699,859
Add (less) : Allowance for changes in value	45,369,98		15,532,166	
Less : Allowance for impairment	(60,414,00)		(79,452,400)	
Debt securities - net	723,999,11		685,699,859	

(Unit : Baht)

	The Company Only			
	2002		2001	
	Cost /		Cost /	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
Equity securities :				
Domestic marketable equity securities	802,072,451	810,254,69	10,753,689	10,350,000
Other securities - unit trusts	293,587,177	289,530,70	349,417,436	345,109,388
Total	1,095,659,628	1,099,785,39	360,171,125	355,459,388
Add (less) : Allowance for changes in value	4,125,765		(4,711,737)	
Net equity securities	1,099,785,393		355,459,388	
Total available-for-sales securities	1,823,784,506		1,041,159,247	
Held-to-maturity debt securities				
Debt securities :				
Government and state enterprise securities	335,000,000		3,331,000,000	
Debt securities of private sector	380,432,467		396,159,171	
Total held-to-maturity debt securities	715,432,467		3,727,159,171	
Other investment				
Non-marketable equity securities :				
At cost	990,828,360		1,056,041,956	
Investment in receivables	195,330,946		235,623,807	
Less : Allowance for changes in value	-		(3,722,263)	
Less : Allowance for impairment	(101,689,429)		(179,697,907)	
Total other investment	1,084,469,877		1,108,245,593	
Net long-term investments	3,623,686,850		5,876,564,011	
Investment in subsidiaries and associated companies				
Investment in subsidiaries	4,759,602,598		4,246,551,297	
Net investments	10,618,573,223		12,814,494,310	

- 6.1 As at 31 December 2002, held-to-maturity debt securities amounting to Baht 335 million (2001 : Baht 3,331 million) represent government bonds which the Company has invested pursuant to the agreement made with the Ministry of Finance under the Tier I and Tier II capital support scheme. These bonds are redeemable within a 10-year period, non-negotiable and carry interest at rates of 4% and 5% per annum. In September 2002, the bonds totaling Baht 2,996 million were redeemed before maturity date by the Ministry of Finance.
- 6.2 As at 31 December 2002, the Company has a commitment not to sell marketable equity securities totalling Baht 52 million (2001 : Baht 168 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.
- 6.3 As at 31 December 2002, a subsidiary company has pledged other investment of approximately Baht 13 million (2001 : Baht 13 million) as a security against short-term loan from a company.
- 6.4 Investment in debt securities of the Company and its subsidiaries as at 31 December 2002, classified by due date are summarised below.

(Unit : Baht)

	Consolidated			Total
	Maturity			
	1 year	Over 1-5 years	Over 5 years	
Available-for-sale securities				
Government and state				
enterprise securities	1,803,364,274	-	4,296,440	1,807,660,714
Debt securities of private sector	150,465,872	706,290,069	150,000,000	1,006,755,941
Total	1,953,830,146	706,290,069	154,296,440	2,814,416,655
Add (less) : Allowance for changes				
in value	1,849,966	53,626,115	2,895,680	58,371,761
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	1,895,266,112	759,916,184	157,192,120	2,812,374,416
Held-to-maturities debt securities				
Government and state				
enterprise securities	-	-	338,820,128	338,820,128
Debt securities of private sector	231,441,537	142,514,395	6,481,340	380,437,272
Total	231,441,537	142,514,395	345,301,468	719,257,400
Total debt securities	2,126,707,649	902,430,579	502,493,588	3,531,631,816

(Unit : Baht)

	The Company Only			
	Maturity			Total
	Over	Over		
	1 year	1-5 years	5 years	
Available-for-sale securities				
Government and state				
enterprise securities	1,739,524,683	-	4,296,440	1,743,821,123
Debt securities of private sector	150,465,872	669,490,069	150,000,000	969,955,941
Total	1,889,990,555	669,490,069	154,296,440	2,713,777,064
Add (less) : Allowance for changes				
in value	1,833,324	52,209,116	2,895,680	56,938,120
Less : Impairment of securities	(60,414,000)	-	-	(60,414,000)
Total	1,831,409,879	721,699,185	157,192,120	2,710,301,184
Held-to-maturities debt securities				
Government and state				
enterprise securities	-	-	335,000,000	335,000,000
Debt securities of private sector	231,441,450	142,509,677	6,481,340	380,432,467
Total	231,441,450	142,509,677	341,481,340	715,432,467
Total debt securities	2,062,851,329	864,208,862	498,673,460	3,425,733,651

6.5 As at 31 December 2002, the Company and its subsidiaries have the following investment in companies which have weak financial standing or operating results :-

	Consolidated			The Company Only		
	Cost	Fair value	Allowance for changes in value ⁽¹⁾	Cost	Fair value	Allowance for changes in value ⁽¹⁾
	Companies having problems with debt repayment or in default	60,414,000	-	60,414,000	60,414,000	-

⁽¹⁾ Allowance for changes in value of investment is calculated at cost less collateral value.

6.6 The followings are book value (net of allowance for impairment) of investments whereby the Company and its subsidiaries hold not less than 10 percent of the equity of the investees:-

(Unit : Baht)

Name	Consolidated					
	2002			2001		
	Book value	Unpaid amount	Percentage of holding	Book value	Unpaid amount	Percentage of holding
		%			%	
Insurance :						
GITC Company Limited						
(formerly known as "Guardian Insurance (Thailand) Co., Ltd.)	13,905,600	-	40	13,905,600	-	40
AXA Insurance Plc.	58,887,015	-	11	58,887,015	-	11
Services :						
American Appraisal (Thailand) Co., Ltd.	-	-	-	3,212,578	-	20
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
Leasing and hire purchase :						
Mizuho Corporate Leasing (Thailand) Co., Ltd.						
(formerly known as "DKB Leasing (Thailand) Limited")	1,849,050	-	21	1,849,050	-	21
Volkswagen Leasing Thailand Limited	24,981,601	40,000,000	20	21,898,081	40,000,000	20
Trading import and export :						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,203,400	-	10	2,850,900	-	10
Real estate :						
JLW (Thailand) Ltd.	-	-	-	-	-	10
PNC (Thailand) Co., Ltd.	-	-	-	-	-	10
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,403,500	-	10	12,940,500	-	10
Sathorn Sombat Co., Ltd.	-	-	20	-	-	20
Huay Kaew Real Estate Co., Ltd.	-	-	100	-	-	-
Industrial :						
Siam Art Ceramic Co., Ltd.	12,452,000	-	10	11,242,000	-	10
Holding :						
Interthai Holdings Ltd. (Preference shares)	250,000	750,000	10	250,000	750,000	10

(Unit : Baht)

Name	The Company Only					
	2002			2001		
	Book value	Unpaid	Percentage	Book value	Unpaid	Percentage
		amount	of holding		amount	of holding
		%			%	
Insurance :						
AXA Insurance Plc. (another 2% held by subsidiary company)	45,687,045	-	9	45,687,045	-	9
Services :						
TISCO Securities Hong Kong Ltd.	279,424,434	-	100	313,859,912	-	100
TISCO Securities Co., Ltd.	1,795,059,081	-	99.99	1,641,599,323	-	99.99
Thai Information Technology Co., Ltd. (another 90% held by subsidiary companies)	4,684,871	-	10	3,015,548	-	10
Jiji Press (Thailand) Co., Ltd.	1,627,646	600,000	20	1,627,646	600,000	20
		0				
American Appraisal (Thailand) Co., Ltd.	-	-	-	1,645,410	-	10
K. Line (Thailand) Co., Ltd.	35,334,990	-	10	35,334,990	-	10
Leasing and hire purchase :						
Tru-Way Co., Ltd.	1,994,631,506	-	99.99	1,610,851,052	-	99.99
Thai Commercial Auto Co., Ltd.	410,176,775	-	50	410,977,491	-	50
Hi-Way Co., Ltd. (ordinary shares and preference shares) (another 90% held by subsidiary company)	125,150,777	-	10	116,576,943	-	10
Mizuho Corporate Leasing (Thailand) Co., Ltd. (formerly known as "DKB Leasing (Thailand) Limited") (another 19% held by subsidiary company)	176,100	-	2	176,100	-	2
Trading import and export :						
Shin Thai Enterprises Co., Ltd.	5,707,044	-	10	5,707,044	-	10
PDTL Trading Co., Ltd.	13,904,710	-	15	13,904,710	-	15
Wattana Inter - Trade Co., Ltd.	3,203,400	-	10	2,850,900	-	10
Real estate :						
JLW (Thailand) Ltd.	-	-	-	-	-	10
PNC (Thailand) Co., Ltd.	-	-	-	-	-	10
Prosperity Industrial Estate Co., Ltd.	45,342,186	-	10	45,342,186	-	10
UMI Property Co., Ltd.	12,403,500	-	10	12,940,500	-	10
Huay Kaew Real Estate Co., Ltd.	-	-	100	-	-	-
Industrial :						
Siam Art Ceramic Co., Ltd.	12,452,000	-	10	11,242,000	-	10
Holding :						

Interthai Holdings Ltd. (Preference shares)	250,000	750,00	10	250,000	750,000	10
		0				
Thai Permsub Finance Co., Ltd.	150,475,174	-	99.99	149,732,301	-	99.99

- 6.7 The Company did not record investments in Jiji Press (Thailand) Co., Ltd., Guardian Insurance (Thailand) Co., Ltd., Mizuho Corporate Leasing (Thailand) Co., Ltd. (formerly known as “DKB Leasing (Thailand) Co., Ltd.”), Sathorn Sombat Co., Ltd., and American Appraisal (Thailand) Co., Ltd., in which the Company and its subsidiaries hold not less than 20% of the equity, by the equity method since these investments had been transferred as the result of debt restructuring. The Company is obliged to dispose of these investments within a period stipulated in the Bank of Thailand’s regulations.
- 6.8 On 28 February 2002, 16,884,994 shares of Huay Kaew Real Estate Company Limited were transferred to the Company at a price of Baht 0.01 each, a total of Baht 168,850. As a result, the Company’s shareholdings in such Company is 100%. The Company has not included the financial statements of such company in the consolidated financial statements and has not recorded its investment in such company under the equity method since the Company holds shares in such company for the purpose of debt restructuring and plans to dispose of such investment when the Company has received full repayment of debt in accordance with the conditions stipulated in the debt restructuring agreement.

7. INVESTMENT IN SUBSIDIARY COMPANIES

The Company’s investment in its subsidiaries as at 31 December 2002 and 2001 are summarised below.

														(Unit : Million Baht)	
														Dividend income ⁽²⁾	
														received for the	
														year ended	
														31 December	
Company’s name		Nature of business	Nature of relationship	Paid-up share capital		Percentage of holding (%)		Cost method		Equity method ⁽¹⁾					
				2002	2001	2002	2001	2002	2001	2002	2001	2002	2001		
Subsidiary companies directly held by the Company															
TISCO Securities Limited	Hong Kong	Services	Shareholders	HKD	HKD	100	100	66	66	279	314	-	-		
				20 million		20 million									
TISCO Securities Co., Ltd.		Services	Shareholders	1,500	1,500	99.99	99.99	1,500	1,500	1,795	1,641	-	-		
Tru-Way Co., Ltd.		Hire purchase and holdings	Shareholders	1,200	1,200	99.99	99.99	1,078	1,078	2,125	1,731	-	20		
Thai Commercial Auto Co., Ltd.		Hire purchase	Shareholders	800	800	50	50	434	434	410	411	40	40		
Thai Permsub Finance Co., Ltd.		Finance	Shareholders	150	150	99.99	99.99	150	150	151	150	-	-		
										4,760	4,247	40	60		

⁽¹⁾ Calculated by including share of profit in subsidiaries in which the Company has indirect holdings.

⁽²⁾ Including dividend received from subsidiary companies which indirectly held by the Company.

8. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

8.1 Classified by loan type

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
<u>Finance business loans and receivable :</u>				
Loans	13,473,093,877	13,460,431,336	13,303,488,339	14,003,139,762
Notes receivable	2,224,721,967	2,504,441,050	2,274,905,706	2,358,441,050
Hire-purchase and financial lease receivable	23,839,970,502	15,514,448,907	19,011,000,475	12,064,479,043
Total finance business loans and receivable	39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Add : Accrued interest receivable	112,131,704	201,527,318	83,757,276	184,535,690
Less : Allowance for doubtful accounts	(3,697,183,392)	(1,261,937,450)	(3,393,631,652)	(973,183,152)
Less : Allowance for loss on debt restructuring	(462,267,957)	(333,862,492)	(462,267,957)	(333,862,492)
Net finance business loans and receivable and accrued interest receivable	35,490,466,701	30,085,048,669	30,817,252,187	27,303,549,901
<u>Securities business receivable :</u>				
Customer's accounts	560,183,892	337,134,121	-	-
Other receivable :-				
Overdue customers' accounts	343,366	-	-	-
Receivables under litigation	189,156,531	358,039,859	-	-
Receivables which are enforced by courts	236,400,281	71,056,768	-	-
Installment receivable	113,518,721	139,486,622	-	-
Total securities business receivable	1,099,602,791	905,717,370	-	-
Add : Accrued interest receivable	2,268	31,759	-	-
Less : Allowance for doubtful accounts	(535,066,300)	(555,455,865)	-	-
Net securities business receivable and accrued interest receivable	564,538,759	350,293,264	-	-
Net loans, receivable and accrued interest receivable	36,055,005,460	30,435,341,933	30,817,252,187	27,303,549,901

8.2 Classified by remaining periods of contracts

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Finance business loans and receivable				
At call (included contracts which are due)	3,310,855,657	2,456,611,822	3,108,508,281	2,476,797,830
Not over 1 year	5,117,530,094	5,089,903,436	2,863,604,354	3,435,610,011
Over 1 year	31,109,400,595	23,932,806,035	28,617,281,885	22,513,652,014
Total finance business loans and receivable	39,537,786,346	31,479,321,293	34,589,394,520	28,426,059,855
Add : Accrued interest receivable	112,131,704	201,527,318	83,757,276	184,535,690
Total finance business loans and receivable and accrued interest receivable	39,649,918,050	31,680,848,611	34,673,151,796	28,610,595,545

8.3 Classified by type of business

(Unit : Baht)

	Consolidated as at 31 December 2002						Subsidiaries	Total
	The Company Only					Total		
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts			
Agricultural and mining	-	-	-	-	14,857,022	14,857,022	-	14,857,022
Manufacturing and commerce	2,756,091,873	17,813,076	11,534,682	294,205,116	557,296,691	3,636,941,438	30,943,185	3,667,884,623
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731	-	3,080,076,731
Public utilities and services	2,556,974,505	-	-	-	52,636,731	2,609,611,236	-	2,609,611,236
Personal use								
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230	4,802,527,575	23,473,970,805
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880	-	2,665,508,880
Securities	-	-	-	-	-	-	1,099,602,791	1,099,602,791
Others	2,871,671,677	37,731,907	14,837,994	209,368,854	727,161,812	3,860,772,244	165,104,805	4,025,877,049
Total finance and securities business loans and receivable	30,693,078,407	742,523,619	140,204,591	558,741,291	2,404,662,873	34,539,210,781	6,098,178,356	40,637,389,137
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276	28,376,696	112,133,972
Total finance and securities business loans receivable and accrued interest receivable	30,761,490,120	757,869,182	140,204,591	558,741,291	2,404,662,873	34,622,968,057	6,126,555,052	40,749,523,109

(Unit : Baht)

The Company only as at 31 December 2002

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total
Agricultural and mining	-	-	-	-	14,857,022	14,857,022
Manufacturing and commerce	2,756,091,873	17,813,076	11,534,682	294,205,116	557,296,691	3,636,941,438
Real estate and construction	2,530,861,395	15,075,363	18,794,336	-	515,345,637	3,080,076,731
Public utilities and services	2,607,158,244	-	-	-	52,636,731	2,659,794,975
Personal use						
Hire-purchase	17,919,044,321	607,052,136	68,490,591	45,429,603	31,426,579	18,671,443,230
Housing loans	2,058,434,636	64,851,137	26,546,988	9,737,718	505,938,401	2,665,508,880
Securities	-	-	-	-	-	-
Others	2,871,671,677	37,731,907	14,837,994	209,368,854	727,161,812	3,860,772,244
Total finance business loans and receivable	30,743,262,146	742,523,619	140,204,591	558,741,291	2,404,662,873	34,589,394,520
Add : Accrued interest receivable	68,411,713	15,345,563	-	-	-	83,757,276
Total finance business loans and receivable and accrued interest receivable	30,811,673,859	757,869,182	140,204,591	558,741,291	2,404,662,873	34,673,151,796

(Unit : Baht)

Consolidated as at 31 December 2001

	The Company Only					Subsidiaries	Total	
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts			Total
Agricultural and mining	28,770,686	-	-	-	8,100,000	36,870,686	36,870,686	
Manufacturing and commerce	3,853,671,658	35,608,041	-	62,538,644	298,022,674	4,249,841,017	4,283,663,212	
Real estate and construction	2,125,218,699	27,916,910	9,217,808	-	591,549,433	2,753,902,850	2,753,902,850	
Public utilities and services	3,008,207,987	-	-	-	7,770,057	3,015,978,044	3,015,978,044	
Personal use								
Hire-purchase	11,461,725,277	339,683,496	55,249,748	24,019,970	-	11,880,678,491	3,031,106,148	14,911,784,639
Housing loans	2,262,738,875	77,513,820	32,243,748	16,605,066	485,847,111	2,874,948,620	-	2,874,948,620
Securities	-	-	-	-	-	-	905,717,370	905,717,370
Others	2,804,069,161	20,816,908	8,951,287	12,755,506	186,832,164	3,033,425,026	568,748,216	3,602,173,242
Total finance and securities business loans and receivable	25,544,402,343	501,539,175	105,662,591	115,919,186	1,578,121,439	27,845,644,734	4,539,393,929	32,385,038,663
Add : Accrued interest receivable	161,499,269	23,022,303	10,119	4,001	-	184,535,692	17,023,385	201,559,077
Total finance and securities business loans Receivable and accrued interest receivable	25,705,901,612	524,561,478	105,672,710	115,923,187	1,578,121,439	28,030,180,426	4,556,417,314	32,586,597,740

(Unit : Baht)

The Company only as at 31 December 2001

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad Debts	Total
Agricultural and mining	28,770,686	-	-	-	8,100,000	36,870,686
Manufacturing and commerce	3,853,671,658	35,608,041	-	62,538,644	298,022,674	4,249,841,017
Real estate and construction	2,125,218,699	27,916,910	9,217,808	-	591,549,433	2,753,902,850
Public utilities and services	3,095,971,366	-	-	-	7,770,057	3,103,741,423
Personal use						
Hire-purchase	11,461,725,277	339,683,496	55,249,748	24,019,970	-	11,880,678,491
Housing loans	2,262,738,875	77,513,820	32,243,748	16,605,066	485,847,111	2,874,948,620
Securities	-	-	-	-	-	-
Others	3,296,720,903	20,816,908	8,951,287	12,755,506	186,832,164	3,526,076,768
Total finance business loans and receivable	26,124,817,464	501,539,175	105,662,591	115,919,186	1,578,121,439	28,426,059,855
Add : Accrued interest receivable	161,499,269	23,022,303	10,118	4,000	-	184,535,690
Total finance business loans and receivable and accrued interest receivable	26,286,316,733	524,561,478	105,672,709	115,923,186	1,578,121,439	28,610,595,545

- 8.4 As at 31 December 2002, loans and receivable include debts of approximately Baht 50 million receivable from the subsidiary companies as a result of restructuring of debts owed by certain related companies (2001 : Baht 431 million). All these debts are classified as normal loans due to regular servicing of interest and loan principals. Most of these receivables are not collateralised.
- 8.5 As at 31 December 2002, the Company had loans and receivable of approximately Baht 3,247 million (2001 : Baht 1,707 million) on which the recognition of interest income would be ceased under the Bank of Thailand's guidelines (i.e. accrual of interest ceases when interest payments have been defaulted on for more than three months, counting from the due date). However, the total loans and receivables on which the Company has actually ceased accruing interest (as discussed in Note 3.1 a), in accordance with its accounting policy, amounted to approximately Baht 7,231 million (2001 : Baht 4,640 million), with Baht 5,375 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided against the unsecured portion. The above amounts are calculated on an account-by-account basis.
- As at 31 December 2002, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totalling Baht 708 million, on which the recognition of income had been suspended (2001 : Baht 693 million), with Baht 610 million of such amount being loans and receivables, for which a 100 percent allowance for doubtful debts has been provided.
- Unearned interest income totalling Baht 3,263 million (the Company only : Baht 2,192 million) is presented as a deduction against finance business loans and receivable (2001 : Baht 2,595 million and the Company only : Baht 1,534 million).
- 8.6 As at 31 December 2002, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 2,332 million (net of collateral values). As a result of restructuring, the due date for the first repayment of these restructured loans and receivable has been rescheduled. In addition, the Company has another approximately Baht 653 million of loans and receivable (net of collateral values) which are in the process of being restructured, against which an allowance for possible loan loss of approximately Baht 585 million has been provided for.

8.7 Troubled Debt Restructuring

During the year, the Company entered into troubled debt restructuring agreements with 219 debtors, with aggregate loan balance (before restructuring) of approximately Baht 4,546 million.

As at 31 December 2002, the number of debtors which were subjected to debt restructuring amounted to 852 as summarised below.

Type of restructuring	Number of receivables	Outstanding loan	Type of assets transferred	Fair value
		balance before restructuring		of transferred assets
		Million Baht	Million Baht	
Transfer of assets	20	2,205	Land and premises	2,197
Transfer of equity securities	4	770	Equity securities	409
Transfer of assets and equity securities and modification of terms	3	898	Land	198
			Equity securities	14
			Machinery	22
Transfer of equity securities and modification of terms	39	3,459	Equity securities	1,218
Transfer of assets and modification of terms	12	2,191	Debt securities	6
			Land and premises	465
			Equity securities	190
			Air conditioners	2
Modification of terms	774	17,392		
Total	852	26,915		4,721

The balance of the restructured debts as at 31 December 2002 amounted to approximately Baht 6,337 million (2001 : Baht 6,867 million).

During the year ended 31 December 2002, the Company recognized interest income on restructured receivables totaling Baht 164 million, received repayments of principal and interest from the restructured receivables totaling Baht 3,672 million and recorded losses from restructuring totaling Baht 33 million (2001 : Baht 448 million, 3,851 million and 191 million, respectively).

9. ALLOWANCE FOR DOUBTFUL ACCOUNTS / ALLOWANCE FOR LOSS ON DEBT RESTRUCTURING

9.1 Allowance for doubtful accounts

(Unit : Baht)

	Consolidated as at 31 December 2002						Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General reserve	
<i>Allowance for doubtful accounts⁽¹⁾ :</i>							
Balance-beginning of year ⁽¹⁾	189,767,724	13,846,927	29,549,848	72,886,048	773,641,970	737,700,798	1,817,393,315
Increase (decrease) in allowance for doubtful accounts during the year	60,972,978	8,033,165	12,183,995	29,793,666	198,195,815	350,718,251	659,897,870
Bad debts written-off	-	-	-	-	(49,913,572)	-	(49,913,572)
	<u>250,740,702</u>	<u>21,880,092</u>	<u>41,733,843</u>	<u>102,679,714</u>	<u>921,924,213</u>	<u>1,088,419,049</u>	<u>2,427,377,613</u>
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	461,353,354	1,054,293	8,697,508	195,270,516	1,138,496,408	-	1,804,872,079
Balance-end of year	<u>712,094,056</u>	<u>22,934,385</u>	<u>50,431,351</u>	<u>297,950,230</u>	<u>2,060,420,621</u>	<u>1,088,419,049</u>	<u>4,232,249,692</u>

⁽¹⁾ The allowance for doubtful accounts include that made by the subsidiary companies, which as from the third quarter of 2002, has been reflected in the above table according to the classification of those subsidiaries' loans instead of being shown as the general reserve, as was previously the case. The reclassification did not affect the previously reported consolidated balance.

(Unit : Baht)

	The Company only as at 31 December 2002						Total
	Pass	Special-mentioned	Sub-standard	Doubtful	Bad debts	General Reserve	
<i>Allowance for doubtful accounts :</i>							
Balance-beginning of year	159,321,757	9,213,691	13,830,553	64,832,501	-	725,984,650	973,183,152
Increase (decrease) in allowance for doubtful accounts during the year	46,913,464	7,987,743	15,017,086	19,104,046	205,948,447	337,585,980	632,556,766
Bad debts written-off	-	-	-	-	(16,980,345)	-	(16,980,345)
	<u>206,235,221</u>	<u>17,201,434</u>	<u>28,847,639</u>	<u>83,936,547</u>	<u>188,968,102</u>	<u>1,063,570,630</u>	<u>1,588,759,573</u>
Allowance for doubtful accounts for written-off account receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines	461,353,354	1,054,293	8,697,508	195,270,516	1,138,496,408	-	1,804,872,079
Balance-end of year	<u>667,588,575</u>	<u>18,255,727</u>	<u>37,545,147</u>	<u>279,207,063</u>	<u>1,327,464,510</u>	<u>1,063,570,630</u>	<u>3,393,631,652</u>

(Unit : Baht)

Consolidated as at 31 December 2001

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	129,650,663	5,318,712	39,093,836	55,613,903	-	1,460,531,767	1,690,208,881
Increase (decrease) in allowance for							
doubtful accounts during the year	59,671,094	3,894,979	(25,263,283)	9,218,598	249,688,802	110,271,738	407,481,928
Bad debt written - off	(30,000,000)	-	-	-	(249,688,802)	(608,692)	(280,297,494)
Balance – end of year	<u>159,321,757</u>	<u>9,213,691</u>	<u>13,830,553</u>	<u>64,832,501</u>	<u>-</u>	<u>1,570,194,813</u>	<u>1,817,393,315</u>

(Unit : Baht)

The Company only as at 31 December 2001

	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of year	129,650,663	5,318,712	39,093,836	55,613,903	-	554,394,812	784,071,926
Increase (decrease) in allowance for							
doubtful accounts during the year	59,671,094	3,894,979	(25,263,283)	9,218,598	249,688,802	171,589,838	468,800,028
Bad debt written - off	(30,000,000)	-	-	-	(249,688,802)	-	(279,688,802)
Balance – end of year	<u>159,321,757</u>	<u>9,213,691</u>	<u>13,830,553</u>	<u>64,832,501</u>	<u>-</u>	<u>725,984,650</u>	<u>973,183,152</u>

During the first quarter of 2002, the Bank of Thailand announced new guidelines for the classification of debtors and provisioning for doubtful debt according to the class of debtor. These included no longer writing off the portion of receivables classified as bad debt for which 100 percent provision has been set up. For the purpose of efficient control and management of non-performing loans, the Company still makes provision for doubtful debt based on the previous rates and in the first quarter of 2002 has ceased writing off the portion of loans classified as bad debt for which full provision has been made. From the second quarter of 2002, the Company has recorded all loans which were previously written off as bad debts, together with a 100 percent provision. This is being done for the purpose of control efficiency and has no impact on the operations of the Company.

9.2 Allowance for loss on debt restructuring

(Unit : Baht)

	The Company Only	
	2002	2001
Balance - beginning of year	333,862,492	417,385,934
Increase during year	207,906,927	42,999,246
Written-off	(79,501,462)	(126,522,688)
Balance - end of year	462,267,957	333,862,492

Under the Bank of Thailand's guidelines concerning the loan loss provisioning, the Company would have been required to provide an allowance for doubtful debts as at 31 December 2002 of approximately Baht 2,186 million (2001 : Baht 557 million) against its loans and receivables, including those undergoing debt restructuring. However, the Company has set up an allowance for doubtful debts and allowance for loss on debt restructuring totaling Baht 3,856 million (2001 : Baht 1,307 million), or Baht 1,670 million (2001 : Baht 750 million) more than the required amount.

The allowance for doubtful debts of Baht 3,856 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,348 million set aside for the unsecured portion of loans amounting Baht 5,375 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,508 million set up for the other loans and receivables.

As at 31 December 2002, the Company had outstanding non-performing loans and receivables of approximately Baht 3,103 million, against which an allowance for doubtful debts of Baht 1,644 million has been provided.

The Company's management believes that this allowance is sufficient to cover possible losses on debt collection.

10. CLASSIFICATION OF ASSETS

10.1 Investment in securities

As at 31 December 2002 and 2001, the investment in securities of the Company and a subsidiary company included the following :-

- a) With respect to investment of approximately Baht 59 million in subordinated debentures issued by a financial institution which the Bank of Thailand ordered closed on 8 December 1997, the Company has made full provision for loss on these securities.
- b) Investments in securities of the companies which are vulnerable to delisting, of the companies of which the auditors have expressed their opinion with the going concern issue, or of the companies which have defaulted on their interest payments (including investments in sub debentures, as discussed in Note 10.1.a) are summarised below.

(Unit : Million Baht)

	Cost		Fair Value		Allowance for possible loss provided in the accounts ⁽¹⁾	
	2002	2001	2002	2001	2002	2001
Debt instruments - debentures	60	69	-	2	60	66

⁽¹⁾ Allowance for possible losses is determined based on the investment cost less collateral value.

10.2 Classification of assets under the Bank of Thailand's guidelines.

As at 31 December 2002 and 2001, the Company classified its assets and made allowances against those assets in accordance with the Bank of Thailand's guidelines. They are summarised below.

	(Unit : Million Baht)								
					Percentage required by BOT ⁽³⁾	Allowance for doubtful accounts			
	Debt balance		Debt balance after net off collateral			Amount to be provided under BOT's guidelines		Amounts already set up by the Company	
	2002	2001	2002	2001	2002	2001	2002	2001	
Loans and receivable⁽¹⁾⁽²⁾									
Pass	30,743	26,134	21,198	15,933	1	212	159	668	159
Special mention	743	502	632	351	2	13	7	18	9
Substandard	140	106	104	59	20	21	12	38	14
Doubtful	558	116	331	89	50	165	45	279	65
Bad debts	2,405	1,578	1,313	-	100	1,313	-	1,327	-
Total	34,589	28,436	23,578	16,432		1,724	223	2,330	247
Loss on receivable under troubled debt restructuring	-	-	-	-		462	334	462	334
Total	34,589	28,436	23,578	16,432		2,186	557	2,792	581
General reserve								1,064	726
Total								3,856	1,307
Investment in securities									
Bad debts									
Debt instruments	61	88	61	88	100	61	88	61	88
Equity instruments	202	198	202	198	100	202	198	202	198
Total	263	286	263	286		263	286	263	286
General reserve								-	88
Total								263	374
Investment in receivables									
Pass	189	229	133	137	1	1	1	8	1
Special mention	-	-	-	-	2	-	-	-	-
Substandard	-	-	-	-	20	-	-	-	-
Doubtful	-	-	-	-	50	-	-	-	-
Bad debts	7	7	-	-	100	-	-	-	-
Total	196	236	133	137		1	1	8	1
Properties foreclosed									
Land	93	109	93	109	100	93	109	93	109
Total classified assets	35,141	29,067	24,067	16,964		2,543	953	4,220	1,791

⁽¹⁾ Allowance for doubtful accounts for loans and receivable is determined based on debt balance less collateral value.

⁽²⁾ Interest receivable are not included in pass and special mention debt balance.

⁽³⁾ In the year 2002, BOT issued new guidelines on provisioning rates for normal debt and special mention debt, whereby provision is to be made for normal debt and special mention debt at rates of at least 1 or 2 percent, respectively, or at a lower rate calculated in accordance with guidelines and conditions stipulated by the BOT. However, the Company is still setting aside provision for such debt at rates of at least 1 or 2 percent, in accordance with the previous guidelines.

The assets classified above are presented in accordance with the assets classification report which the Company prepared and submitted to the Bank of Thailand, and include loans, receivable and interest accrued on loans, investment in securities and properties foreclosed. As at 31 December 2002 and 2001, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,220 million and Baht 1,791 million, respectively, against its loans and receivable, investment in securities and properties foreclosed.

The allowance for possible loan losses has been determined after taking into account the value of collateral in accordance with the Bank of Thailand's guidelines, and includes the allowance required against restructured debts.

A portion of the above classified loans and receivable includes debts due from companies with weak financial position and operating results. These amounts and allowance for doubtful accounts are as follows:-

	Number of debtors		Debt balance		Collateral value		Allowance for doubtful accounts provided in the accounts	
	2002	2001	2002 (Million Baht)	2001 (Million Baht)	2002 (Million Baht)	2001 (Million Baht)	2002 (Million Baht)	2001 (Million Baht)
1. Companies vulnerable to delisting	4	2	685	708	544	525	99	137
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	24	16	1,797	1,234	1,064	1,011	701	136
3. Listed companies of which shares have been suspended for trading	3	2	69	83	33	56	30	21
4. Listed companies under rehabilitation	11	3	462	178	123	134	303	11
5. Companies having loan default problem	31	10	1,203	593	354	478	800	21
6. Companies having going concern issue as cited in auditors' report	5	3	880	669	307	124	115	24
Total	78	36	5,096	3,465	2,425	2,328	2,048	350

10.3 Classification of assets in accordance with the Notification of the Office of the Securities and Exchange Commission

As at 31 December 2002 and 2001, a local subsidiary operating in the securities business in Thailand classified its securities business receivable and accrued interest receivable as follows, and provided related allowances for doubtful accounts, in accordance with the notification of the Office of the Securities and Exchange Commission (SEC).

	(Unit : Million Baht)					
	Securities business receivable and accrued interest		Allowance for doubtful accounts as required by SEC		Allowance for doubtful accounts provided in the accounts	
	2002	2001	2002	2001	2002	2001
Pass	2	8	-	-	-	-
Substandard	27	24	-	-	-	-
Doubtful	510	537	510	537	510	537
Total	539	569	510	537	510	537
General reserve					25	14
Total					535	551

Substandard debts represent the receivable balances with a value equivalent to that of their collateral.

10.4 Hire-purchase receivable/financial lease receivable and other loan receivable of the subsidiaries

As at 31 December 2002 and 2001, hire-purchase receivable, financial lease receivable and other loan receivable of the subsidiaries are classified by the due date of the contracts as follows :-

	(Unit : Million Baht)	
	2002	2001
Current or overdue less than 90 days	5,354	3,312
Overdue		
91 - 365 days	104	62
More than 1 year	163	162
Debtors under litigation	61	64
Total	5,682	3,600

11. PROPERTY FORECLOSED

Property foreclosed represents assets transferred from loans, hire purchase receivable on which the debtors had defaulted on their repayment obligations under the loan contracts or restructured receivables. The value of the assets are stated at the lower of the loans balance or market/appraisal value.

Details of the property foreclosed as at 31 December 2002 and 2001 are as follows :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2002	2001	2002	2001
Foreclosed assets :				
Immovable assets				
Balance – beginning of the year	2,387,406,968	2,425,239,025	2,335,815,14	2,425,239,02
Addition	-	167,326,467	-	115,734,64
Disposal	(958,468,707)	(205,158,524)	(957,568,70	(205,158,52
Balance – end of the year	<u>1,428,938,261</u>	<u>2,387,406,968</u>	<u>1,378,246,43</u>	<u>2,335,815,14</u>
Movable assets				
Balance – beginning of the year	4,378,084	2,502,100	2,151,18	2,151,18
Addition	201,550,086	104,981,427	68,701,82	21,061,08
Disposal	(178,596,248)	(103,105,443)	(48,401,33	(21,061,08
Balance – end of the year	<u>27,331,922</u>	<u>4,378,084</u>	<u>22,451,67</u>	<u>2,151,18</u>
Allowance for impairment :				
Balance – beginning of the year	154,826,392	74,098,010	109,014,41	74,039,00
Increase	20,390,493	88,712,805	19,420,77	42,959,82
Decrease	(35,761,484)	(7,984,423)	(35,698,48	(7,984,42
Balance – end of the year	<u>139,455,401</u>	<u>154,826,392</u>	<u>92,736,70</u>	<u>109,014,41</u>
Property foreclosed – net	<u>1,316,814,782</u>	<u>2,236,958,660</u>	<u>1,307,961,40</u>	<u>2,228,951,91</u>

As at 31 December 2002, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 731 million. The debtors may repurchase these properties at prices and within periods specified in the agreements.

12. LAND, PREMISES AND EQUIPMENT

(Unit : Baht)

	Consolidated					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	
	Cost :					
31 December 2001	419,567,348	844,341,707	406,969,045	342,391,012	62,012,143	2,075,281,255
Translation adjustment	-	-	(611,893)	-	-	(611,893)
Addition	-	95,547	47,868,166	9,565,809	14,140,519	71,670,041
Disposal	(4,591,964)	(14,799,689)	(5,048,896)	(4,953,119)	(2,786,314)	(32,179,982)
31 December 2002	414,975,384	829,637,565	449,176,422	347,003,702	73,366,348	2,114,159,421
Accumulated depreciation :						
31 December 2001	-	177,583,507	321,595,542	133,437,731	12,861,794	645,478,574
Translation adjustment	-	-	(394,561)	-	-	(394,561)
Disposal	-	(13,478,531)	(3,719,879)	(4,904,543)	(11,233)	(22,114,186)
Depreciation charge for the year	-	42,107,542	53,383,383	38,219,343	13,030,776	146,741,044
31 December 2002	-	206,212,518	370,864,485	166,752,531	25,881,337	769,710,871
Net book value :						
31 December 2001	419,567,348	666,758,200	85,373,503	208,953,281	49,150,349	1,429,802,681
31 December 2002	414,975,384	623,425,047	78,311,937	180,251,171	47,485,011	1,344,448,550
Depreciation charge included in earnings statements for the years ended 31 December:						
2001						144,180,828
2002						146,741,044

(Unit : Baht)

	The Company Only					Total
	Land	Building and office condominium unit	Furniture, fixtures and equipment	Office improvement	Vehicles	
	Cost :					
31 December 2001	252,120,864	500,495,893	137,798,281	184,433,799	33,199,482	1,108,048,319
Addition	18,668,583	34,961,317	15,555,276	6,662,725	6,918,000	82,765,901
Disposal	-	-	(472,873)	-	(378,000)	(850,873)
31 December 2002	270,789,447	535,457,210	152,880,684	191,096,524	39,739,482	1,189,963,347
Accumulated depreciation :						
31 December 2001	-	102,391,146	113,347,367	65,200,296	7,705,314	288,644,123
Disposal	-	-	(444,019)	-	(9,519)	(453,538)
Depreciation charge for the year	-	25,063,214	18,558,838	23,137,602	7,025,058	73,784,712
31 December 2002	-	127,454,360	131,462,186	88,337,898	14,720,853	361,975,297
Net book value :						
31 December 2001	252,120,864	398,104,747	24,450,914	119,233,503	25,494,168	819,404,196
31 December 2002	270,789,447	408,002,850	21,418,498	102,758,626	25,018,629	827,988,050
Depreciation charge included in earnings statements for the years ended 31 December :						
2001						68,709,686
2002						73,784,712

13. OTHER ASSETS

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Value added tax - net	724,226,365	640,131,860	639,815,777	584,665,194
Accrued interest receivable	53,429,598	156,356,901	49,914,753	153,747,597
Fee receivable	213,039,079	95,972,162	139,110,923	8,724,198
Prepaid income tax	99,062,571	64,863,087	47,515,874	35,650,053
Deferred computer system development cost - net	45,108,876	46,193,816	40,984,180	40,566,441
Deposits	10,183,398	12,023,974	3,170,993	4,546,637
Other receivables	81,041,181	207,059,611	75,730,495	86,522,248
Other assets	160,020,237	178,753,697	49,383,420	30,428,405
Total other assets	<u>1,386,111,305</u>	<u>1,401,355,108</u>	<u>1,045,626,415</u>	<u>944,850,773</u>

14. BORROWINGS AND DEPOSITS

14.1 Classified by source of borrowings and deposits

(Unit : Baht)

	Consolidated					
	2002			2001		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	29,956,478,590	987,267,828	30,943,746,418	34,834,963,810	622,684,690	35,457,648,500
From banks	243,000,000	2,016,109,462	2,259,109,462	101,445,057	1,057,822,981	1,159,268,038
From financial institutions	1,005,111,315	-	1,005,111,315	1,535,209,705	227,326	1,535,437,031
From foreign countries	53,384,018	-	53,384,018	57,174,741	-	57,174,741
Total borrowings and deposits	<u>31,257,973,923</u>	<u>3,003,377,290</u>	<u>34,261,351,213</u>	<u>36,528,793,313</u>	<u>1,680,734,997</u>	<u>38,209,528,310</u>

(Unit : Baht)

	The Company Only					
	2002			2001		
	Promissory notes	Others	Total	Promissory notes	Others	Total
From public	29,976,478,590	516,019,208	30,492,497,798	34,843,775,366	487,192,719	35,330,968,085
From banks	-	289,018,870	289,018,870	-	173,461,730	173,461,730
From financial institutions	913,786,079	-	913,786,079	1,583,209,705	-	1,583,209,705
From foreign countries	53,384,018	-	53,384,018	57,174,741	-	57,174,741
Total borrowings and deposits	<u>30,943,648,687</u>	<u>805,038,078</u>	<u>31,748,686,765</u>	<u>36,484,159,812</u>	<u>660,654,449</u>	<u>37,144,814,261</u>

14.2 Classified by the remaining period of contract

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
At call	853,905,334	2,748,225,764	866,007,045	2,956,299,633
Not over 1 year (included contracts which are due)	22,705,662,253	31,104,396,729	20,224,096,094	29,844,808,811
Over 1 year	10,701,783,626	4,356,905,817	10,658,583,626	4,343,705,817
Total borrowings and deposits	<u>34,261,351,213</u>	<u>38,209,528,310</u>	<u>31,748,686,765</u>	<u>37,144,814,261</u>

15. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

(Unit : Baht)

	Consolidated		The Company Only	
	2002	2001	2002	2001
Government and Bank of Thailand securities	-	100,000,000	-	100,000,000
Total securities sold under repurchase agreements	<u>-</u>	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>

16. DEBENTURES

(Unit : Baht)

	Consolidated / The Company Only	
	2002	2001
Subordinated debentures	331,000,000	331,000,000
Unsubordinated and unsecured debentures	4,800,000,000	-
	<u>5,131,000,000</u>	<u>331,000,000</u>

16.1 Subordinated debentures

During 1999 the Company issued Baht 331 million of unsecured subordinated debentures (331 units with a par value of Baht 1,000,000 each) which were sold to the Ministry of Finance under the Tier II capital support scheme. The Ministry of Finance assisted the Company by purchasing the Company's newly issued subordinated debentures in order to increase its Tier II capital fund to a level in accordance with the regulations of the Bank of Thailand. The debentures bear interest at rates of 5% and 6% per annum and mature in 2009. The Company immediately used the money from the sale of these debentures to invest in government bonds issued by the Ministry of Finance, in accordance with the conditions of the Tier II capital support scheme.

16.2 Unsubordinated and unsecured debentures

On 29 July 2002 and 21 October 2002 the Company issued Baht 4,800 million of unsubordinated and unsecured debentures, maturing in 2007, consisting of :-

- a) 2 million debentures with a face value of Baht 1,000 each, totaling Baht 2,000 million. These debentures bear interest at a rate of 4.25 percent per annum.
- b) 1 million debentures with a face value of Baht 1,000 each, totaling Baht 1,000 million. These debentures bear interest at a rate of 3.5 percent per annum in the first and second years and thereafter at a floating rate equivalent to the reference rate plus 0.5 percent per annum, which rate shall not be less than 3.75 percent per annum and shall not exceed 5 percent, 5.5 percent and 6 percent per annum in the third, fourth and fifth years, respectively.
- c) 1.8 million debentures with a face value of Baht 1,000 each, totaling Baht 1,800 million. These debentures carry interest at a floating rate equivalent to a rate of 6 percent minus the reference rate per annum in the first, second and third years and thereafter at a rate of 3.8 percent per annum.

In respect of the Baht 2,800 million of debentures discussed in (b) and (c) above, on 29 July 2002 and 21 October 2002, respectively, the Company entered into interest rate swap agreements to swap the floating interest rate to a fixed interest rate. The agreement expires in 2007.

17. OTHER LIABILITIES

	(Unit : Baht)			
	Consolidated		The Company Only	
	2002	2001	2002	2001
Corporate income tax payable	53,509,173	73,720,762	-	-
Withholding income tax and other tax payable	88,745,649	91,252,069	64,141,583	63,029,602
Accrued insurance premium	163,551,321	149,362,442	129,768,523	108,811,651
Other liabilities	299,575,151	256,026,873	164,485,529	140,425,717
Total other liabilities	<u>605,381,294</u>	<u>570,362,146</u>	<u>358,395,635</u>	<u>312,266,970</u>

18. SHARE CAPITAL AND WARRANTS

- a) The Company has registered preference shares totaling 1,000 million shares of Baht 10 each. The rights and benefits of the preference shares are to be equal to the ordinary shares in all respects, except with regard to dividends and other matters specified in the Company's Articles of Association, such as that the preference shareholders are entitled to receive dividends at the rate of 10% per share before the ordinary shareholders in years in which dividends are declared, and the preference shareholders are not entitled to dividends for the year in which dividends are not declared. The preference shareholders have voting rights in a proportion of 1 share per 1 vote, and on 30 June 2009 will have the same rights and benefits as the ordinary shareholders.

On 6 May 1999, the Company applied for Tier I capital support from the Ministry of Finance whereby the Company would offer Baht 3,000 million of newly issued preference shares to each of the Ministry of Finance and new investors. The Company has used Baht 3,000 million received from the Ministry of Finance reinvested in government bonds in accordance with the conditions of the Ministry of Finance support scheme. In addition, the investors purchasing the preference shares have an option to buy the shares held by the Ministry of Finance, for up to 3 years, in consideration of which the Ministry of Finance issued derivative warrants to the investors, which can be converted into the preference shares held by the Ministry of Finance at the rate of 1 warrant per 1 preference share. Up to 31 May 2002 (the final day of the exercise period), a total of 299,681,000 derivative warrants had been converted to the preference shares.

- b) On 10 April 2000, the annual general meeting of the Company's shareholders passed a resolution approving the allocation to directors and employees of the Company and its subsidiaries a total of 30 million, 5-year, non-negotiable warrants to purchase the Company's preference shares, exercisable in a ratio of 1 warrant to 1 preference share, and passed a resolution approving the establishment an Allotment Committee. Such committee resolved that the warrants would not be allocated to the Company's directors, except for those directors who were qualified by virtue of being the Company employees. The exercise price of the warrants was stipulated at 75 percent of the ten-trading-days average closing price of the Company's preference shares prior to the effective date of the filing, subject to a minimum price of par value. The warrants are to be offered subsequent to the receipt of approval from the Office of the Securities and Exchange Commission. In addition, the annual general meeting passed a resolution approving the un-allocation of 400 million preference shares (including 300 million preference shares which were to be reserved for the conversion of convertible debentures). Thirty million preference shares with a par value of Baht 10 each are to be reserved for the exercise of the warrants to be issued and offered to directors and employees of the Company and its subsidiaries to purchase the Company's preference shares, leaving 370 million unallocated preference shares.

On 24 April 2002, the annual general meeting of the Company's shareholders passed a resolution approving the exercise price of warrants at 75 percent of the ten-trading-days average closing price of the Company's preference shares prior to the date of warrant allocation, subject to a minimum price of par value. In addition, the annual general meeting passed a resolution approving the allocation of 1,100,000 warrants to the directors. These conditions were approved by the Office of the Securities and Exchange Commission on 10 July 2002 and 16 August 2002 respectively.

The Company allocated a total of 14,002,000 warrants during 2001 and 2000 and a total of 5,779,000 warrants during this year. Up to 31 December 2002, employees who had been allocated warrants had exercised their rights to purchase a total of 5,430,000 preference shares at an exercise price of Baht 10 each; and 904,500 preference shares at an exercise price of Baht 11.31 each, a total of Baht 64,529,895. Of such amount, Baht 16,650,000 was registered with the Ministry of Commerce in 2001 and Baht 47,879,895 in 2002.

As at 31 December 2002, 13,446,500 warrants remained unexercised.

- c) During the year ended 31 December 2002, the Company registered the conversion of 297,524,020 preference shares to ordinary shares with the Ministry of Commerce.

As at 31 December 2002, there remained a total of 215,836,680 preference shares which are eligible for conversion to ordinary shares.

19. CAPITAL FUND

As at 31 December 2002 and 2001, the capital funds maintained by the Company in accordance with Section 4 of the Act on Undertaking of Finance Business, Finance and Securities Business and Credit Foncier Business B.E. 2522 were as follows :-

	(Unit : Thousand Baht)	
	The Company Only	
	2002	2001
<u>Tier I</u>		
Issued and fully paid up share capital	7,065,345	7,018,650
Premium on share capital	37,685	36,500
Statutory reserve	48,700	48,700
Net gain (loss) appropriation	41,567	(1,192,462)
Total	<u>7,193,297</u>	<u>5,911,388</u>
<u>Tier II</u>		
Subordinated debentures	331,000	331,000
Reserve for loans classified as pass	516,667	160,595
Total	<u>847,667</u>	<u>491,595</u>
Total capital fund	<u><u>8,040,964</u></u>	<u><u>6,402,983</u></u>

The capital ratios of the Company are as follows :-

	The Company Only			
	2002		2001	
	Company	Requirement	Company	Requirement
Tier I capital to risk assets	17.40%	4.00%	15.53%	4.00%
Total capital to risk assets	19.45%	8.00%	16.82%	8.00%
Total capital to issued and paid-up share capital	113.81%	75.00%	91.23%	75.00%

20. STATUTORY RESERVE

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

21. SURPLUS ON CHANGES IN THE VALUE OF INVESTMENTS

	(Unit : Baht)			
	Consolidated		The Company Only	
	2002	2001	2002	2001
Balance - beginning of the year	126,793,564	(155,558,483)	126,793,564	(155,558,483)
Increase in changes in the value of securities during the year	(67,995,964)	282,352,047	(67,995,964)	282,352,047
Balance - end of the year	<u>58,797,600</u>	<u>126,793,564</u>	<u>58,797,600</u>	<u>126,793,564</u>

22. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the years ended 31 December 2002 and 2001 consist of the following :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2002	2001	2002	2001
Unrealised gain (loss) on investments	(127,719,451)	509,392,864	8,126,968	299,551,829
Realised gain (loss) on investments	752,479,962	(308,559,017)	500,263,182	(312,319,832)
Total	<u>624,760,511</u>	<u>200,833,847</u>	<u>508,390,150</u>	<u>(12,768,003)</u>

23. DIRECTORS' REMUNERATION

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

24. CORPORATE INCOME TAX

Corporate income tax expenses for the years ended 31 December 2002 and 2001 were arrived at as follows:

	Consolidated		The Company Only	
	2002	2001	2002	2001
Income tax payable on taxable profit for the year	842,641,965	392,206,769	520,296,298	112,951,181
Add (less) : Net decrease (increase) in deferred tax on temporary differences	(4,011,952)	(57,517,545)	128,808	16,775,788
Less : Utilisation of income tax benefits on tax loss carried forward	(648,502,670)	(128,416,446)	(520,296,298)	(112,951,181)
Income tax expenses - net	<u>190,127,343</u>	<u>206,272,778</u>	<u>128,808</u>	<u>16,775,788</u>

The Company and its subsidiaries have certain deferred tax assets relating to their tax loss carry forwards, which have not been recognized in the accounts for prudent reasons. They are recognized in the accounts in the year when the loss carry forwards are actually utilized.

25. PROVIDENT FUND

The Company, its seven subsidiaries and their employees have jointly registered provident fund schemes under the Provident Fund Act B.E. 2530. The funds are contributed to by both the employees and the companies at rates of 5-10 percent of their employees' salaries depending on the number of years of service. The funds will be paid to the employees upon termination in accordance with the rules of the funds, and they are managed by the Bangkok Bank Public Company Limited (2001 : the funds are managed by Thai Farmers Asset Management Company Limited). During the year ended 31 December 2002, Baht 34 million has been contributed to the funds by the Company and its subsidiaries (the Company only : Baht 14 million).

26. NUMBER OF EMPLOYEES

	Consolidated		The Company Only	
	2002	2001	2002	2001
Number of employees at the end of year (persons)	1,292	1,198	430	380

27. RECONCILIATION OF DILUTED EARNINGS PER SHARE

	For the years ended 31 December					
	Net earnings		Weighted average number of ordinary shares		Earnings per share	
	2002	2001	2002	2001	2002	2001
	Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht
Basic earnings per share						
Net earnings	1,154,050	838,586	344,146	182,001	3.35	4.61
Effect of dilutive securities						
Preference shares (including 13.4 million warrants to purchase preference shares)	-	-	375,835	532,201		
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares	<u>1,154,050</u>	<u>838,586</u>	<u>719,981</u>	<u>714,202</u>	<u>1.60</u>	<u>1.17</u>

28. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents represent cash in hand and all types of bank deposits, except certificates of deposit, in accordance with the Notification of the Bank of Thailand regarding the format of the balance sheets and earnings statements of finance companies, finance and securities companies and credit foncier companies, dated 10 May 2001.

Cash and cash equivalents as reflect in the statements of cash flows as at 31 December 2002 and 2001 consist of the following :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	2002	2001	2002	2001
Cash	3,927,680	6,560,203	1,546,536	1,348,472
Cash at banks and financial institutions	<u>793,001,322</u>	<u>659,172,635</u>	<u>282,108,315</u>	<u>105,208,706</u>
Cash and cash equivalents	<u>796,929,002</u>	<u>665,732,838</u>	<u>283,654,851</u>	<u>106,557,178</u>

29. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2002 and 2001, the Company had significant business transactions with its subsidiary and related companies (related by way of common shareholders and/or common directors). Such transactions have been concluded on the terms and basis as determined by the Company and those companies. Intercompany outstanding balances and transactions are summarised below :-

(Unit : Thousand Baht)				
Consolidated				
	Balance- beginning of the year	Increase	Decrease	Balance-end of the year
<u>Outstanding balance as at 31 December 2002</u>				
Associated company				
Borrowing and deposits from public :				
Volkswagen Leasing (Thailand) Limited	-	600,000	600,000	-
(Unit : Thousand Baht)				
The Company Only				
	Balance- beginning of the year	Increase	Decrease	Balance-end of the year
<u>Outstanding balance as at 31 December 2002</u>				
Subsidiary companies				
Loans to wholly owned subsidiary companies :				
TISCO Leasing Co., Ltd.	171,220	-	171,220	-
Hi-Way Co., Ltd.	171,547	-	171,547	-
Thai Information Technology Co., Ltd.	87,763	-	37,580	50,183
Tru-Way Co., Ltd.	-	40,000	40,000	-
Borrowing and deposits from financial institutions :				
TISCO Securities Co., Ltd.	38,000	-	22,000	16,000
TISCO Asset Management Co., Ltd.	10,000	-	8,000	2,000
Other liabilities :				
Tru-Way Co., Ltd.	20,527	13,585	-	34,112

					(Unit : Thousand Baht)
	Consolidated		The Company Only		Pricing policy
	2002	2001	2002	2001	(For the year 2002)
<u>Transactions occurred during the years ended 31 December</u>					
Subsidiary companies					
Interest income	-	-	17,955	76,743	At rate determined under the contracts of approximately 3, 7.5 and MOR less 1 percent per annum.
Fees income	-	-	-	45	Fee charged at 1.25 percent of credit line.
Custodian fee	-	-	-	4,620	Fee charged at 0.046 percent of asset value.
Rental income	-	-	12,367	8,479	At rate determined under the contract.
Risk and financial management fee	-	-	28,056	-	At rate determined under the contract.
Human resources management fee	-	-	9,310	-	At rate determined under the contract.
Debt collection service expenses	-	-	318,851	322,256	Fee charged at 2 percent of outstanding balances (before November 2001 fee charged at 2.5 percent of outstanding balances)
Computer system advisory services expenses and office administration expenses	-	-	57,875	65,889	Fee charged at 12 percent per annum of the price of installed software.
Car rental expenses	-	-	1,168	3,539	At rate determined under the contract.
Interest expenses	-	-	3,567	1,130	At rate of approximately 1.25 percent per annum
Underwriting fee expenses	-	-	2,000	-	At rate determined under the negotiation.
Sales agent fee expenses	-	-	1,471	-	At rate determined under the negotiation.
Associated company					
Interest expense	8,829	-	-	-	At rate of approximately 2.625 to 3.4 percent per annum
Account receivable management fee expenses and office administration fee expenses	21,034	21,738	-	-	Fee charged at 2 percent of outstanding balances with minimum fee of Baht 500,000 per month (before May 2002 fee charged at average rate of 1.81 percent of outstanding balances).

During the year, a subsidiary repaid a Baht 39 million loan from the Company by transferring an office condominium at its fair value of Baht 58 million, in accordance with a debt restructuring agreement. The Company recorded this office condominium as a part of “Land, premises and equipment” in the balance sheet.

As at 31 December 2002, the Company and its subsidiaries have neither granted credit, nor made any commitments to management-level employees (departmental managers upward), and have not granted credit to companies of which at least 10% of the common shares of paid up capital are held by the Company, the Company’s directors or management employees, with the exception of the loans to subsidiary and related companies discussed above, and loans to employees under the employee welfare scheme, which are summarised below.

	(Unit : Thousand Baht)	
	Consolidated	The Company Only
Loans	8,428	8,428

As at 31 December 2002, with the exception of loans to subsidiary companies mentioned in Note 8.4, the Company has neither provided any credit nor made any commitments to companies which have directors in common with the Company in cases where such credit is unsecured or not fully collateralised and therefore would require an approval from the Bank of Thailand.

As at 31 December 2002, the Company and its subsidiaries have no investments in related companies which are related by way of members of the management of the Company or of its subsidiaries being shareholders and/or directors.

30. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business, securities business and other business segments as of 31 December 2002 and 2001 and for the years ended 31 December 2002 and 2001 is summarised below.

	For the years ended 31 December								(Unit : Million Baht)	
	Finance business		Securities business		Other business		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net interest and dividend income after bad debt and doubtful accounts	1,614	1,557	39	45	(5)	(8)	(63)	(60)	1,585	1,534
Non-interest income	1,363	1,167	786	791	145	161	(533)	(600)	1,761	1,519
Operating expenses	(1,756)	(1,777)	(573)	(523)	(119)	(115)	485	377	(1,963)	(2,038)
Corporate income tax	(93)	(158)	(91)	(37)	(7)	(12)	-	-	(191)	(207)
Minority interest in net earnings in subsidiary companies	-	-	-	-	-	-	(38)	30	(38)	30
Net earnings	1,128	789	161	276	14	26	(149)	(253)	1,154	838

(Unit : Million Baht)

	As at 31 December									
	Finance business		Securities business		Other business		Elimination		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Investments in securities	9,562	12,209	965	1,313	-	-	(4,165)	(4,161)	6,362	9,361
Loans, receivable and accrued interest receivable - net	36,224	30,666	971	349	-	-	(1,140)	(580)	36,055	30,435
Other assets	4,011	4,683	2,132	1,435	139	173	513	804	6,795	7,095
Total assets	49,797	47,558	4,068	3,097	139	173	(4,792)	(3,937)	49,212	46,891

31. COMMITMENTS

31.1 Aval to bills and other guarantees

(Unit : Baht)

	Consolidated and the Company Only	
	2002	2001
Aval to bills	771,762,686	1,445,234,274
Guarantees - others	521,879,371	409,381,026
Total contingent liabilities and obligations	1,293,642,057	1,854,615,300

31.2 Commitment under rental/service contracts

- a) The Company has entered into a computer maintenance service and office administration agreement with a subsidiary company, under which it pays annual fees at a rate of 12 percent of the price of installed software. In this regard, the Company pays annual service fees amounting to approximately Baht 55 million.
- b) The Company and a subsidiary company have entered into an agreement with another subsidiary company appointing the latter as their representative to collect debts under hire-purchase receivable agreements, for a period of 5 years. In this regard, fees will be paid at 2% of the outstanding balance of principal, with restrictions as stated in the contract.
- c) The Company is obliged to make contributions to the Financial Institutions Development Fund, at the rate of 0.2 percent of the total outstanding balance of the Company's deposits, borrowings, and liabilities arising from borrowings, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.

- d) A subsidiary company is required to pay a membership fee to the Stock Exchange of Thailand on a monthly basis, at a rate of 0.005 percent of the trading volume of its stock.

31.3 Litigation

The Company was a defendant in certain lawsuits involving compensation of approximately Baht 331 million. As at 31 December 2002, the cases were not yet final; nevertheless, the Company's management believes that the Company will not suffer material losses (if any) from these suits.

- 31.4** A subsidiary company has outstanding commitments of approximately Baht 40 million in respect of the uncalled portion of an investment in an associated company.

32. FINANCIAL INSTRUMENT

Financial instruments are any contracts which gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

As at 31 December 2002, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

32.1 Credit risk

Credit risk is the risk that the party to a financial instrument will fail to fulfil an obligation causing the Company and subsidiary companies to incur a financial loss. The amount of maximum credit risk exposure is the carrying amount of the financial assets less provision for losses as stated in the balance sheet and the off-balance sheet transactions of aval and other guarantees.

In addition, the Company and its subsidiary companies manage credit risk by the following means, in through careful consideration of credit approval process, analysis of the risk factors and the ability to service debt of customers and credit review process, which examines and reviews the quality of loans so as to prevent and provide a remedy for problem loans in the future.

32.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will change as a result of future changes in interest rates.

(Unit : Million Baht)

	Consolidated			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash and deposits at financial institutions	474	80	279	833
Loans to financial institutions	-	735	-	735
Investments in securities - net	467	3,187	2,708	6,362
Trading transactions with securities companies				
- receivable	-	-	86	86
Loans and receivable	<u>7,072</u>	<u>31,134</u>	<u>2,544</u>	<u>40,750</u>
	<u>8,013</u>	<u>35,136</u>	<u>5,617</u>	<u>48,766</u>
Financial liabilities				
Borrowings and deposits	17	33,751	493	34,261
Trading transactions with securities companies				
- liabilities	-	-	427	427
Securities business payable	256	-	175	431
Debentures	<u>-</u>	<u>5,131</u>	<u>-</u>	<u>5,131</u>
	<u>273</u>	<u>38,882</u>	<u>1,095</u>	<u>40,250</u>

(Unit : Million Baht)

	The Company Only			
	Outstanding balances of financial instruments			
	Floating interest rate	Fixed interest rate	Without interest	Total
Financial assets				
Cash and deposits at financial institutions	38	16	230	284
Investments in securities - net	467	3,146	7,006	10,619
Loans and receivable	<u>7,029</u>	<u>25,662</u>	<u>1,982</u>	<u>34,673</u>
	<u>7,534</u>	<u>28,824</u>	<u>9,218</u>	<u>45,576</u>
Financial liabilities				
Borrowings and deposits	3	31,460	286	31,749
Debentures	<u>-</u>	<u>5,131</u>	<u>-</u>	<u>5,131</u>
	<u>3</u>	<u>36,591</u>	<u>286</u>	<u>36,880</u>

The Company has entered into an interest rate swap agreement to pay fixed rate interest in exchange for receipt of floating rate interest on the nominal principal of Baht 500 million. This agreement will expire in September 2005.

In addition, as discussed in Note 16.2, the Company has entered into an interest rate swap agreement to exchange a floating interest rate on the Baht 2,800 million debentures for a fixed interest rate. The agreement expires in 2007.

The balances of the floating rate and fixed rate loans and receivable shown in the above table include those on which interest recognition has been ceased, and are presented before deducting provisions.

With respect to fixed rate financial instruments, the table show summarises their repricing or maturity date (whichever is the earlier) counting from the balance sheet date.

(Unit : Million Baht)

<u>Transactions</u>	Consolidated						<u>Total</u>	<u>Interest rates</u> %
	<u>Repricing or maturity date</u>					<u>Unspecified</u>		
	<u>At call</u>	<u>0-3 months</u>	<u>3-12 months</u>	<u>1 – 5 years</u>	<u>Over 5 Years</u>			
<u>Financial assets</u>								
Cash and deposits at financial institutions	3	52	10	15	-	-	80	3.9321
Loans to financial institutions	382	277	76		-	-	735	1.8358
Investments in securities - net	-	1,790	273	534	590	-	3,187	6.0209
Loans and receivable	1,903	4,064	8,635	13,176	2,912	444	31,134	9.2215
	<u>2,288</u>	<u>6,183</u>	<u>8,994</u>	<u>13,725</u>	<u>3,502</u>	<u>444</u>	<u>35,136</u>	
<u>Financial liabilities</u>								
Borrowings and deposits	651	12,069	9,945	11,086		-	33,751	3.2251
Debentures		-	-	4,800	331	-	5,131	4.1610
	<u>651</u>	<u>12,069</u>	<u>9,945</u>	<u>15,886</u>	<u>331</u>	<u>-</u>	<u>38,882</u>	

(Unit : Million Baht)

The Company Only								
Transactions	Repricing or maturity date					Unspecified	Total	Interest rates %
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 Years			
Financial assets								
Cash and deposits at financial institutions	-	16	-	-	-	-	16	0.250
Investments in securities - net	-	1,790	273	497	586	-	3,146	5.998
Loans and receivable	1,592	3,288	6,737	11,133	2,912	-	25,662	7.774
	<u>1,592</u>	<u>5,094</u>	<u>7,010</u>	<u>11,630</u>	<u>3,498</u>	<u>-</u>	<u>28,824</u>	
Financial liabilities								
Borrowings and deposits	577	11,826	7,969	11,088	-	-	31,460	3.169
Debentures	-	-	-	4,800	331	-	5,131	4.161
	<u>577</u>	<u>11,826</u>	<u>7,969</u>	<u>15,888</u>	<u>331</u>	<u>-</u>	<u>36,591</u>	

32.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 December 2002, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Consolidated								
Transactions	At call	0-3 months	3-12 months	1 – 5 years	Over 5 years	Unspecified	Non performing	Total
							loans	
Financial assets								
Cash and deposits at financial institutions	616	189	10	15	-	3	-	833
Loans to financial institutions	382	277	76	-	-	-	-	735
Investments in securities – net	1,685	1,790	272	901	503	1,204	7	6,362
Trading transactions with securities companies – receivable	-	86	-	-	-	-	-	86
Loans and receivable	1,427	4,769	9,386	17,106	4,108	6	3,948	40,750
	<u>4,110</u>	<u>7,111</u>	<u>9,744</u>	<u>18,022</u>	<u>4,611</u>	<u>1,213</u>	<u>3,955</u>	<u>48,766</u>
Financial liabilities								
Borrowings and deposits	1,088	12,069	9,945	11,086	50	23	-	34,261
Trading transactions with securities companies - liabilities	-	427	-	-	-	-	-	427
Securities business payable	240	191	-	-	-	-	-	431
Debentures	-	-	-	4,800	331	-	-	5,131
	<u>1,328</u>	<u>12,687</u>	<u>9,945</u>	<u>15,886</u>	<u>381</u>	<u>23</u>	<u>-</u>	<u>40,250</u>
Off - balance sheet items								
Aval to bills	-	763	9	-	-	-	-	772
Guarantees of loans and others	287	35	-	200	-	-	-	522

(Unit : Million Baht)

Transactions	The Company Only							Total
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 years	Unspecified	Non performing Loans ^(*)	
<u>Financial assets</u>								
Cash and deposits at financial institutions	268	16	-	-	-	-	-	284
Investments in securities - net	1,349	1,790	272	864	499	5,838	7	10,619
Loans and receivable	1,266	3,461	7,525	15,067	4,108	6	3,240	34,673
	<u>2,883</u>	<u>5,267</u>	<u>7,797</u>	<u>15,931</u>	<u>4,607</u>	<u>5,844</u>	<u>3,247</u>	<u>45,576</u>
<i>* Loans which ceased accruing interest income according to the BOT's guidelines</i>								
<u>Financial liabilities</u>								
Borrowings and deposits	866	11,826	7,969	11,088	-	-	-	31,749
Debentures	-	-	-	4,800	331	-	-	5,131
	<u>866</u>	<u>11,826</u>	<u>7,969</u>	<u>15,888</u>	<u>331</u>	<u>-</u>	<u>-</u>	<u>36,880</u>
<u>Off balance sheet items</u>								
Aval to bills	-	763	9	-	-	-	-	772
Guarantees of loans and others	287	35	-	200	-	-	-	522

32.4 Foreign exchange risk

As at 31 December 2002, the Company did not have any financial instruments in foreign currencies except investment in a subsidiary company amounting of Baht 279 million.

32.5 Fair value

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The Company and its subsidiaries have estimated the fair value of financial instruments as follows :-

a) Financial assets

The method used for determining the fair value is dependent upon the characteristics of the financial instruments. The fair values of financial assets are presented as the amount stated in the balance sheet, including cash, deposits at banks and loans and receivable which are considered to approximate their respective carrying value since the financial instruments are predominantly subject to market interest rates. Financial instruments that have standard terms and conditions which are traded on an active and liquid market, such as investment in securities, have their fair values determined by the quoted market price.

b) Financial liabilities

The fair values of financial liabilities, including borrowings and deposits, are considered to approximate their respective carrying values for the same reasons as described above.

As at 31 December 2002, there are no material differences between the book value of financial instruments and their fair value.

The fair value of off balance sheet items cannot be reasonably determined thus it has not been disclosed.

33. PRESENTATION

The presentation of the financial statements has been made in compliance with the requirement of the Notification of the Bank of Thailand relating to the format of the financial statements of finance, finance and securities and credit fancier companies dated 10 May 2001.

Certain amounts in the financial statements as presented herein for comparative purposes have been reclassified to conform to the current year classifications, with no effect on previously reported net earnings or shareholders' equity.