

TISCO FINANCE PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARY COMPANIES
REPORT AND INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2003

Report of Independent Auditor

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

I have reviewed the accompanying consolidated balance sheet of TISCO Finance Public Company Limited and its subsidiaries as at 31 March 2003, the related consolidated statements of earnings, changes in shareholders' equity, and cash flows for the three-month period then ended, and the separate financial statements of TISCO Finance Public Company Limited for the same period. 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 report on these financial statements based on my review.

I conducted my review in accordance with auditing standard applicable to review engagements. This standard requires that I plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated financial statements of TISCO Finance Public Company Limited and its subsidiaries, and the separate financial statements of TISCO Finance Public Company Limited, for the year ended 31 December 2002 were audited in accordance with generally accepted auditing standards by another auditor of our firm who, under his report dated 6 February 2003, expressed an unqualified audit opinion on those statements, based on his audit and other auditor's report. The balance sheet as at 31 December 2002, as presented herein for comparative purposes, formed an integral part of the financial statements, which have been audited and reported on by that auditor.

The consolidated statements of earnings, changes in shareholders' equity, and cash flows of TISCO Finance Public Company Limited and its subsidiary companies and the separate financial statements of TISCO Finance Public Company Limited for the three-month period ended 31 March 2002, as presented herein for comparative purposes, formed an integral part of the financial statements which were reviewed by the aforementioned auditor, whose report dated 30 April 2002 stated that nothing had come to his attention that caused him to believe that the financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Supachai Phanyawattano

Certified Public Accountant (Thailand) No. 3930

Ernst & Young Office Limited

Bangkok : 28 April 2003

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS

(Unit : Thousand Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		31 March 2003 (Unaudited but reviewed)	31 December 2002 (Audited)	31 March 2003 (Unaudited but reviewed)	31 December 2002 (Audited)
ASSETS					
CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS	2	787,530	832,613	231,478	283,655
LOANS TO FINANCIAL INSTITUTIONS		789,166	735,206	-	-
INVESTMENT IN SECURITIES	3,4,7				
Current investment - net		4,482,166	2,598,949	4,166,701	2,235,284
Long-term investment - net		3,880,553	3,557,199	3,697,028	3,442,904
Investment in subsidiaries and associated companies - net		25,951	24,982	4,835,170	4,759,602
Net investments		8,388,670	6,181,130	12,698,899	10,437,790
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		279,278	85,901	-	-
LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE	5,7				
Finance business loans and receivable		41,329,340	39,726,587	36,011,346	34,778,196
Securities business receivable		998,941	1,099,603	-	-
Total loans and receivable		42,328,281	40,826,190	36,011,346	34,778,196
Accrued interest receivable		108,658	112,134	79,446	83,757
Total loans, receivable and accrued interest receivable		42,436,939	40,938,324	36,090,792	34,861,953
Less : Allowance for doubtful accounts	6	(4,235,527)	(4,240,268)	(3,380,519)	(3,401,650)
Less : Allowance for loss on debt restructuring	6	(453,971)	(462,268)	(453,971)	(462,268)
Net loans, receivable and accrued interest receivable		37,747,441	36,235,788	32,256,302	30,998,035
PROPERTY FORECLOSED - net	7,8	1,294,091	1,316,815	1,287,952	1,307,961
LAND, PREMISES AND EQUIPMENT - net		1,349,941	1,344,449	844,526	827,988
DEFERRED TAX ASSETS		264,833	260,697	254,486	254,486
GOODWILL		821,432	833,476	-	-
OTHER ASSETS	9	1,543,157	1,386,111	1,170,489	1,045,627
TOTAL ASSETS		53,265,539	49,212,186	48,744,132	45,155,542

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

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS (Continued)

(Unit : Thousand Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		31 March 2003 (Unaudited but reviewed)	31 December 2002 (Audited)	31 March 2003 (Unaudited but reviewed)	31 December 2002 (Audited)
LIABILITIES AND SHAREHOLDERS' EQUITY					
BORROWINGS AND DEPOSITS					
From public		33,833,199	30,943,746	33,264,253	30,492,498
From banks		2,045,478	2,259,110	143,026	289,019
From financial institutions		1,457,312	1,005,111	1,145,298	913,786
From foreign countries		54,792	53,384	54,792	53,384
Total borrowings and deposits		37,390,781	34,261,351	34,607,369	31,748,687
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		220,000	-	220,000	-
TRADING TRANSACTIONS WITH SECURITIES COMPANIES		202,689	426,889	-	-
SECURITIES BUSINESS PAYABLE		749,769	431,449	-	-
LIABILITIES UNDER COMMERCIAL PAPERS SOLD		425,000	357,000	425,000	357,000
ACCRUED INTEREST PAYABLE		172,112	186,886	168,049	181,045
DEBENTURES		5,131,000	5,131,000	5,131,000	5,131,000
OTHER LIABILITIES	10	777,359	605,381	419,304	358,396
TOTAL LIABILITIES		45,068,710	41,399,956	40,970,722	37,776,128
SHAREHOLDERS' EQUITY					
Share capital	11				
Registered	11(a)	11,002,000	11,002,000	11,002,000	11,002,000
Issued and paid up					
186,523,580 preference shares of Baht 10 each					
(31 December 2002 : 215,836,680 preference shares of Baht 10 each)		1,865,236	2,158,367	1,865,236	2,158,367
520,923,420 ordinary shares of Baht 10 each					
(31 December 2002 : 490,697,820 ordinary shares of Baht 10 each)		5,209,234	4,906,978	5,209,234	4,906,978
		7,074,470	7,065,345	7,074,470	7,065,345
Share premium					
Share premium of preference shares		1,372	1,185	1,372	1,185
Share premium of ordinary shares		36,500	36,500	36,500	36,500
Revaluation surplus on changes in the value of investment	14	81,527	58,798	81,527	58,798
Translation adjustments		125,128	127,319	125,128	127,319
Retained earnings					
Appropriated - statutory reserve	13	48,700	48,700	48,700	48,700
Unappropriated		405,713	41,567	405,713	41,567
Equity attributable to Company's shareholders		7,773,410	7,379,414	7,773,410	7,379,414
Minority interest - equity attributable to minority shareholders of subsidiaries		423,419	432,816	-	-
TOTAL SHAREHOLDERS' EQUITY		8,196,829	7,812,230	7,773,410	7,379,414
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		53,265,539	49,212,186	48,744,132	45,155,542
		0	0	0	0
OFF-BALANCE SHEET ITEMS - CONTINGENCIES					
Aval to bills		648,263	771,763	648,263	771,763
Guarantees of loans and others		477,907	521,879	477,907	521,879

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 THREE-MONTH PERIODS ENDED 31 MARCH 2003 AND 2002

(Unit : Thousand Baht, except earnings per share expressed in Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2003	2002	2003	2002
INTEREST AND DIVIDEND INCOME					
Loans and deposits		233,729	236,719	229,475	239,661
Hire purchase and financial lease income		555,979	404,703	377,132	268,414
Securities		87,893	156,167	101,634	171,696
Total interest and dividend income		877,601	797,589	708,241	679,771
EXPENSES ON BORROWINGS					
Interest and discounts		305,859	315,894	284,114	305,673
Fees and charges		1,728	2,050	-	399
Total expenses on borrowings		307,587	317,944	284,114	306,072
Net interest and dividend income		570,014	479,645	424,127	373,699
REVERSAL OF BAD DEBT AND DOUBTFUL ACCOUNTS (BAD DEBT AND DOUBTFUL ACCOUNTS)					
		16,152	-187,933	31,480	-182,683
LOSS ON DEBT RESTRUCTURING					
Net interest and dividend income after bad debt and doubtful accounts and loss on debt restructuring		-8	-1,610	-8	-1,610
NON-INTEREST INCOME					
Brokerage fees		84,299	109,397	-	-
Gain on trading securities	15	51,252	215,964	19,525	96,562
Fees and charges		189,299	130,791	68,057	50,828
Fees and gain (loss) on forward exchange		241	801	-71	-47
Share of profit of subsidiary and associated companies		485	213	83,732	205,743
Other income		27,899	69,565	24,527	55,962
Total non-interest income		353,475	526,731	195,770	409,048
Total net income		939,633	816,833	651,369	598,454
OPERATING EXPENSES					
Personnel expenses		218,678	165,709	96,002	59,202
Premises and equipment expenses		78,455	88,211	50,113	51,471
Taxes and duties		18,409	20,368	16,438	18,858
Directors' remuneration	16	1,665	1,480	1,425	1,260
Other expenses		196,594	137,251	123,245	165,204
Total operating expenses		513,801	413,019	287,223	295,995
EARNINGS BEFORE INCOME TAX AND MINORITY INTEREST					
		425,832	403,814	364,146	302,459
CORPORATE INCOME TAX					
	17	-53,568	-91,755	-	-
EARNINGS BEFORE MINORITY INTEREST					
		372,264	312,059	364,146	302,459
MINORITY INTEREST IN NET EARNINGS IN SUBSIDIARY COMPANIES					
		-8,118	-9,600	-	-
NET EARNINGS FOR THE PERIOD					
		364,146	302,459	364,146	302,459
EARNINGS PER SHARE					
Basic earnings per share	18	0.70	1.54	0.70	1.54
Diluted earnings per share		0.51	0.42	0.51	0.42

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

(UNAUDITED BUT REVIEWED)

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2003 AND 2002

(Unit : Thousand Baht)

	CONSOLIDATED										
	Issued and paid-up share capital		Share premium		Preference shares	Surplus	Translation adjustments	Statutory reserve	Unappropriated retained earnings (deficit) to minority shareholders	Minority interest-equity attributable to minority shareholders	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	in advance	value of investment					
Balance as at 31 December 2001	5,086,912	1,931,738	-	36,500	350	126,794	136,463	48,700	(1,112,482)	433,555	6,688,530
Decrease in fair value of investments	-	-	-	-	-	(6,329)	-	-	-	-	(6,329)
Decrease in translation adjustments	-	-	-	-	-	-	(6,994)	-	-	-	(6,994)
Net earnings for the period	-	-	-	-	-	-	-	-	302,459	-	302,459
Warrants converted to preference shares	6,950	-	-	-	(350)	-	-	-	-	-	6,600
Preference shares converted to ordinary shares	(36,987)	36,987	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(10,187)	(10,187)
Balance as at 31 March 2002	<u>5,056,875</u>	<u>1,968,725</u>	<u>-</u>	<u>36,500</u>	<u>-</u>	<u>120,465</u>	<u>129,469</u>	<u>48,700</u>	<u>(810,023)</u>	<u>423,368</u>	<u>6,974,079</u>
Balance as at 31 December 2002	2,158,367	4,906,978	1,185	36,500	-	58,798	127,319	48,700	41,567	432,816	7,812,230
Increase in fair value of investments	-	-	-	-	-	22,729	-	-	-	-	22,729
Decrease in translation adjustments	-	-	-	-	-	-	(2,191)	-	-	-	(2,191)
Net earnings for the period	-	-	-	-	-	-	-	-	364,146	-	364,146
Warrants converted to preference shares	9,125	-	187	-	-	-	-	-	-	-	9,312
Preference shares converted to ordinary shares	(302,256)	302,256	-	-	-	-	-	-	-	-	-
Decrease in minority interest	-	-	-	-	-	-	-	-	-	(9,397)	(9,397)
Balance as at 31 March 2003	<u>1,865,236</u>	<u>5,209,234</u>	<u>1,372</u>	<u>36,500</u>	<u>-</u>	<u>81,527</u>	<u>125,128</u>	<u>48,700</u>	<u>405,713</u>	<u>423,419</u>	<u>8,196,829</u>

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

(UNAUDITED BUT REVIEWED)

TISCO FINANCE PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY COMPANIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
FOR THE THREE-MONTH PERIODS ENDED 31 MARCH 2003 AND 2002
(Unit : Thousand Baht)

	THE COMPANY ONLY									
	Issued and paid-up share capital		Share premium		Preference shares	Surplus	Translation adjustments	Statutory reserve	Unappropriated retained earnings (deficit)	Total
	Preference shares	Ordinary shares	Preference shares	Ordinary shares	subscription received from changes in the in advance	value of investment				
Balance as at 31 December 2001	5,086,912	1,931,738	-	36,500	350	126,794	136,463	48,700	(1,112,482)	6,254,975
Decrease in fair value of investments	-	-	-	-	-	(6,329)	-	-	-	(6,329)
Decrease in translation adjustments	-	-	-	-	-	-	(6,994)	-	-	(6,994)
Net earnings for the period	-	-	-	-	-	-	-	-	302,459	302,459
Warrants converted to preference shares	6,950	-	-	-	(350)	-	-	-	-	6,600
Preference shares converted to ordinary shares	(36,987)	36,987	-	-	-	-	-	-	-	-
Balance as at 31 March 2002	<u>5,056,875</u>	<u>1,968,725</u>	<u>-</u>	<u>36,500</u>	<u>-</u>	<u>120,465</u>	<u>129,469</u>	<u>48,700</u>	<u>(810,023)</u>	<u>6,550,711</u>
Balance as at 31 December 2002	2,158,367	4,906,978	1,185	36,500	-	58,798	127,319	48,700	41,567	7,379,414
Increase in fair value of investments	-	-	-	-	-	22,729	-	-	-	22,729
Decrease in translation adjustments	-	-	-	-	-	-	(2,191)	-	-	(2,191)
Net earnings for the period	-	-	-	-	-	-	-	-	364,146	364,146
Warrants converted to preference shares	9,125	-	187	-	-	-	-	-	-	9,312
Preference shares converted to ordinary shares	(302,256)	302,256	-	-	-	-	-	-	-	-
Balance as at 31 March 2003	<u>1,865,236</u>	<u>5,209,234</u>	<u>1,372</u>	<u>36,500</u>	<u>-</u>	<u>81,527</u>	<u>125,128</u>	<u>48,700</u>	<u>405,713</u>	<u>7,773,410</u>

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 THREE-MONTH PERIODS ENDED 31 MARCH 2003 AND 2002

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Cash flows from operating activities				
Net earnings	364,146	302,459	364,146	302,459
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities :-				
Minority interest in earnings of subsidiary companies	8,118	9,600	-	-
Share of net gain of subsidiary and associated companies	(485)	(213)	(83,732)	(205,743)
Depreciation and amortisation	47,349	52,467	19,395	21,339
Bad debt and doubtful accounts (reversal of bad debt and doubtful accounts)	(8,727)	210,689	(29,428)	203,271
Unrealised gain on revaluation of investment	-	(281)	-	(42)
Allowance for impairment of property foreclosed	172	3,978	706	3,776
Loss from troubled debt restructuring	8	1,610	8	1,610
Gain on disposal of investment	(8,148)	(126,972)	(8,148)	(96,562)
Loss (gain) on disposal of fixed assets	(794)	813	(719)	-
Unrealised loss (gain) on decrease (increase) of securities held for trading	(16,924)	121,100	-	-
Gain from disposal of property foreclosed	-	(38,464)	-	(38,464)
(Increase) decrease in deferred tax assets	(4,136)	494	-	-
(Increase) decrease in accrued interest and dividend receivable	(9,650)	17,761	(6,807)	18,833
Decrease (increase) in other receivable	25,936	10,111	(6,125)	(18,711)
Provision for bonus	45,370	20,037	23,635	8,700
Decrease in accrued interest payable	(14,774)	(14,571)	(12,996)	(14,969)
Increase in accrued expenses	42,576	36,556	40,109	33,470
Earnings from operating activities before changes in operating assets and liabilities	470,037	607,174	300,044	218,967
Decrease (increase) in operating assets				
Loans to financial institutions	(53,960)	40,475	-	-
Negotiable certificates of deposit	35,684	(546)	-	-
Investment in securities - held for trading	21,159	243,433	-	-
Trading transactions with securities companies	(193,376)	(761,380)	-	-
Finance business loans and receivable	(1,693,956)	(949,447)	(1,320,042)	(810,941)
Securities business loans and receivable	100,662	(365,418)	-	-
Property foreclosed	26,104	3,798	22,855	3,977
Other assets	(198,754)	52,765	(135,189)	(22,763)
Increase (decrease) in operating liabilities				
Borrowings and deposits from public	2,889,453	481,623	2,771,755	476,250
Borrowings and deposits from banks and financial institutions	238,569	(395,560)	85,519	73,105
Borrowings and deposits from foreign countries	1,408	(6,282)	1,408	(6,282)
Securities sold under repurchase agreements	220,000	-	220,000	-
Trading transactions with securities companies	(224,199)	231,913	-	-
Liabilities under commercial paper sold	68,000	(10,000)	68,000	(10,000)
Securities business payable	318,321	966,205	-	-
Other liabilities	86,730	(95,171)	(137)	26,362
Net cash flows from (used in) operating activities	2,111,882	43,582	2,014,213	(51,325)

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 THREE-MONTH PERIODS ENDED 31 MARCH 2003 AND 2002

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Cash flows from investing activities				
Cash paid for purchase of investment in securities held for investment	(5,711,489)	(1,879,815)	(5,620,395)	(1,755,248)
Cash received from disposal of investment in securities held for investment	3,612,963	2,016,937	3,553,108	1,920,107
Cash paid for purchase of equipment	(14,320)	(11,205)	(9,528)	(2,538)
Cash received from disposal of equipment	2,444	564	1,113	-
Net cash flows from (used in) investing activities	<u>(2,110,402)</u>	<u>126,481</u>	<u>(2,075,702)</u>	<u>162,321</u>
Cash flows from financing activities				
Cash received from issuance of preference shares	9,312	6,600	9,312	6,600
Dividend paid	(18,000)	(20,000)	-	-
Net cash flows from (used in) financing activities	<u>(8,688)</u>	<u>(13,400)</u>	<u>9,312</u>	<u>6,600</u>
Translation adjustment	<u>(2,191)</u>	<u>(6,994)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(9,399)	149,669	(52,177)	117,596
Cash and cash equivalents at beginning of the period	796,929	665,733	283,655	106,557
Cash and cash equivalents at end of the period (Note 19)	<u>787,530</u>	<u>815,402</u>	<u>231,478</u>	<u>224,153</u>
Supplemental cash flows information :-				
Cash paid during the period for				
Interest	320,459	343,207	297,110	320,642
Corporate income tax	10,729	9,800	3,870	2,223
Non-cash transactions :-				
Conversion of preference shares to ordinary shares	302,256	3,699	302,256	3,699

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

(UNAUDITED BUT REVIEWED)

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

1. GENERAL INFORMATION

1.1 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.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Accounting Standards Pronouncement No. 41 "Interim financial statements", with the Company choosing to present condensed interim financial statements. However, additional line items are presented in the balance sheets, and the statements of earnings, changes in shareholders' equity and cash flows, as in the annual financial statements.

These interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

1.3 Basis of interim consolidation

The basis of interim consolidation is the same as that for the consolidated financial statements for the year ended 31 December 2002. There have been no changes in the shareholding structure during the period except that the consolidated statements as at 31 March 2003 include the financial statements of another subsidiary which is 99.99% indirectly held by the Company, GIH&CO Pte. Ltd., which is incorporated in Singapore.

(UNAUDITED BUT REVIEWED)

The financial statements of 4 subsidiary companies, which are included in the consolidated interim financial statements, TISCO Global Investment Holdings Limited, TISCO Securities UK Limited, GIH&CO Pte. Ltd. and Thai Permsub Finance Company Limited, were prepared by the managements of these subsidiary companies and not reviewed by their auditors. As at 31 March 2003, these 4 subsidiary companies have aggregate assets included in the consolidated interim financial statements of approximately Baht 136 million, and aggregate revenues and aggregate net losses for the three-month period then ended of approximately Baht 3 million and Baht 5 million, respectively. These amounts are immaterial to the consolidated financial statements and the management believes that such amounts will not significantly differ if the financial statements were to be reviewed by auditors.

1.4 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were adopted for the financial statements for the year ended 31 December 2002.

2. CASH AND DEPOSITS AT FINANCIAL INSTITUTIONS

As at 31 March 2003, cash deposits at banks of the Company and its local subsidiaries of approximately Baht 12 million (the Company only : Baht 2 million) (As at 31 December 2002: Baht 26 million and Baht 16 million, respectively) were pledged with the banks to secure facilities provided for use as working capital.

As at 31 March 2003, approximately Baht 99 million (as at 31 December 2002 : Baht 100 million) of the foreign subsidiary's cash deposits at banks were pledged with the bank to secure the credit facility.

3. INVESTMENTS IN SECURITIES

3.1 As at 31 March 2003, held-to-maturity debt securities amounting to 335 million (as at 31 December 2002: Baht 335 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.

(UNAUDITED BUT REVIEWED)

- 3.2 As at 31 March 2003, the Company has a commitment not to sell marketable equity securities totalling Baht 55 million (as at 31 December 2002: Baht 52 million) for the period, as a condition of troubled debt restructuring agreement made with restructured receivables.
- 3.3 As at 31 March 2003, A subsidiary company has pledged other investment of approximately Baht 13 million (as at 31 December 2002: Baht 13 million) as a security against short-term loan from a company.
- 3.4 As at 31 March 2003, there are investments in government bonds amounting to Baht 32.7 million which the Company has pledged with a foreign bank as security under the interest rate swap agreement to exchange a floating interest rate for a fixed interest rate as described in Note 23.2
- 3.5 As at 31 March 2003, the Company has the following investment in companies which have weak financial standing or operating results :-

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

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

- 3.6 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.”), and Sathorn Sombat 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.
- 3.7 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 it has received full repayment of debt in accordance with the conditions stipulated in the debt restructuring agreement.

(UNAUDITED BUT REVIEWED)

4. INVESTMENT IN SUBSIDIARY COMPANIES

The Company's investment in its subsidiaries as at 31 March 2003 and 31 December 2002 are summarised below.

Company's name	Nature of business	Nature of relationship	Paid-up share capital		Percentage of holding (%)		Cost method		Equity method ⁽¹⁾		(Unit : Million Baht) Dividend income ⁽²⁾ received for the three-month periods ended	
			31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December	31 March	
			2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Subsidiary companies directly held by the Company												
TISCO Securities Hong Kong Limited	Services	Shareholders	HKD 20 million	HKD 20 million	100	100	66	66	269	279	-	-
TISCO Securities Co., Ltd.	Services	Shareholders	1,500	1,500	99.99	99.99	1,500	1,500	1,857	1,795	-	-
Tru-Way Co., Ltd.	Hire purchase and holdings	Shareholders	1,200	1,200	99.99	99.99	1,078	1,078	2,158	2,125	-	-
Thai Commercial Auto Co., Ltd.	Hire purchase	Shareholders	800	800	50	50	434	434	401	410	18	20
Thai Permsub Finance Co., Ltd.	Finance	Shareholders	150	150	99.99	99.99	150	150	150	151	-	-
									4,835	4,760	18	20

⁽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.

5. LOANS, RECEIVABLE AND ACCRUED INTEREST RECEIVABLE

5.1 As at 31 March 2003, loans and receivable include debts of approximately Baht 45 million receivable from the subsidiary company as a result of restructuring of debts owed by certain related companies (as at 31 December 2002: Baht 50 million). All these debts are classified as normal loans due to regular servicing of interest and loan principals.

5.2 As at 31 March 2003, the Company had loans and receivable of approximately Baht 2,930 million (as at 31 December 2002: Baht 3,247 million), on which the recognition of interest income were to cease in accordance with 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 which the Company has actually ceased accruing their interest, in accordance with its accounting policy amounted to approximately Baht 7,237 Million (as at 31 December 2002: Baht 7,231 million) with Baht 5,345 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.

(UNAUDITED BUT REVIEWED)

As at 31 March 2003, the local subsidiaries had securities business loans and receivable, hire-purchase receivable, financial lease receivable and other loans and receivables totalling Baht 725 million, on which the recognition of income had been suspended (as at 31 December 2002: Baht 708 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 3,785 million (the Company only : Baht 2,643 million) is presented as a deduction against finance business loans and receivable (as at 31 December 2002: Baht 3,263 million and the Company only : Baht 2,192 million).

- 5.3 As at 31 March 2003, the Company's loans and receivable include restructured loans and receivables amounting to approximately Baht 1,809 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 654 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 530 million has been provided for.

5.4 Troubled Debt Restructuring

During the period, the Company entered into troubled debt restructuring agreements with 30 debtors, with aggregate loan balance (before restructuring) of approximately Baht 346 million.

As at 31 March 2003, the number of debtors which were subjected to debt restructuring amounted to 882 as summarised below.

Type of restructuring	Number of receivables	Outstanding loan balance before restructuring Million Baht	Type of assets transferred	Fair value of transferred assets 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	804	17,738		
Total	882	27,261		4,721

(UNAUDITED BUT REVIEWED)

The balance of the restructured debts as at 31 March 2003 amounted to approximately Baht 5,136 million (as at 31 December 2002: Baht 6,337 million).

During the three-month period ended 31 March 2003, the Company recognized interest income on restructured receivables totaling Baht 37 million, received repayments of principal and interest from the restructured receivables totaling Baht 844 million and there was no loss from restructuring (for the three-month period ended 31 March 2002: Baht 59 million 555 million and 2 million, respectively).

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

6.1 Allowance for doubtful accounts

(Unit : Thousand Baht)

Consolidated as at 31 March 2003							
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of period	720,112	22,934	50,432	297,951	2,060,420	1,088,419	4,240,268
Increase (decrease) in allowance for doubtful accounts during the period	22,229	(1,040)	1,458	(204,939)	202,699	(20,837)	(430)
Bad debt written - off	-	-	-	-	(4,311)	-	(4,311)
Balance - end of period ⁽¹⁾	742,341	21,894	51,890	93,012	2,258,808	1,067,582	4,235,527

(Unit : Thousand Baht)

The Company only as at 31 March 2003							
	Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
Balance-beginning of period	675,607	18,255	37,545	279,207	1,327,465	1,063,571	3,401,650
Increase (decrease) in allowance for doubtful accounts during the period	14,893	(1,198)	(2,410)	(207,335)	198,404	(23,485)	(21,131)
Balance - end of period ⁽¹⁾	690,500	17,057	35,135	71,872	1,525,869	1,040,086	3,380,519

⁽¹⁾ The allowance for doubtful accounts included allowance for doubtful accounts of Baht 1,795 million for written-off accounts receivables which have been written back in the second quarter of 2002, in accordance with the Bank of Thailand's guidelines.

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

Consolidated as at 31 December 2002						
Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General reserve	Total
<i>Allowance for doubtful accounts⁽²⁾ :</i>						
Balance-beginning of period ⁽²⁾	191,138	13,847	29,550	72,886	773,641	1,818,763
Increase (decrease) in allowance for doubtful accounts during the period	67,621	8,033	12,184	29,794	198,196	666,546
Bad debts written-off	-	-	-	-	(49,913)	(49,913)
	258,759	21,880	41,734	102,680	921,924	2,435,396
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	1,054	8,698	195,271	1,138,496	1,804,872
Balance-end of period	720,112	22,934	50,432	297,951	2,060,420	4,240,268

⁽²⁾ 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 : Thousand Baht)

The Company only as at 31 December 2002						
Pass	Special- mentioned	Sub- standard	Doubtful	Bad debts	General Reserve	Total
<i>Allowance for doubtful accounts :</i>						
Balance-beginning of period	160,692	9,213	13,831	64,832	-	974,553
Increase (decrease) in allowance for doubtful accounts during the period	53,561	7,988	15,017	19,104	205,949	639,205
Bad debts written-off	-	-	-	-	(16,980)	(16,980)
	214,253	17,201	28,848	83,936	188,969	1,596,778
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	461,354	1,054	8,697	195,271	1,138,496	1,804,872
Balance-end of period	675,607	18,255	37,545	279,207	1,327,465	3,401,650

(UNAUDITED BUT REVIEWED)

6.2 Allowance for loss on debt restructuring

(Unit : Thousand Baht)

	The Company Only	
	31 March 2003	31 December 2002
Balance - beginning of period	462,268	333,862
Increase during period	959	207,907
Written-off	(9,256)	(79,501)
Balance - end of period	453,971	462,268

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 March 2003 of approximately Baht 2,275 million (as at 31 December 2002: Baht 2,187 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 3,834 million (as at 31 December 2002: Baht 3,864 million), or Baht 1,559 million (as at 31 December 2002: Baht 1,677 million) more than the required amount.

The allowance for doubtful debts of Baht 3,834 million, as mentioned above, consists of allowance for doubtful debts of Baht 2,390 million set aside for the unsecured portion of loans amounting Baht 5,345 million at the rate of 100 percent (the difference is the secured portion) and other allowances for doubtful debts amounting to Baht 1,444 million set up for the other loans and receivables.

As at 31 March 2003, the Company had outstanding non-performing loans and receivables of approximately Baht 2,810 million, against which an allowance for doubtful debts of Baht 1,633 million has been provided.

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

7. CLASSIFICATION OF ASSETS

7.1 Investment in securities

As at 31 March 2003 and 31 December 2002, the investment in securities of the Company include 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 subordinated debentures, as discussed in Note 7.1.a) are summarised below.

(Unit : Million Baht)						
Cost		Fair Value		Allowance for possible loss ⁽¹⁾ provided in the accounts		
31 March 2003	31 December 2002	31 March 2003	31 December 2002	31 March 2003	31 December 2002	
Debt instruments - debentures	60	60	-	-	60	60

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

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

As at 31 March 2003 and 31 December 2002, 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)

	Debt balance		Debt balance after net off collateral		Percentage required by BOT ⁽³⁾	Allowance for doubtful accounts			
						Amount to be provided under BOT's guidelines		Amounts already set up by the Company	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002		31 March 2003	31 December 2002	31 March 2003	31 December 2002
Loans and receivable⁽¹⁾⁽²⁾									
Pass	32,393	30,932	23,127	21,331	1	231	213	690	676
Special mention	808	743	657	632	2	13	13	17	18
Substandard	136	140	124	104	20	25	21	35	38
Doubtful	126	558	105	331	50	53	165	72	279
Bad debts	2,548	2,405	1,499	1,313	100	1,499	1,313	1,526	1,327
Total	36,011	34,778	25,512	23,711		1,821	1,725	2,340	2,338
Loss on receivable under troubled debt restructuring	-	-	-	-		454	462	454	462
Total	36,011	34,778	25,512	23,711		2,275	2,187	2,794	2,800
General reserve								1,040	1,064
Total								3,834	3,864
Investment in securities									
Bad debts									
Debt instruments	61	61	61	61	100	61	61	61	61
Equity instruments	408	202	408	202	100	408	202	408	202
Total	469	263	469	263		469	263	469	263
Investment in receivables									
Bad debts	7	7	-	-	100	-	-	-	-
Properties foreclosed									
Land	93	93	93	93	100	93	93	93	93
Total classified assets	36,580	35,141	26,074	24,067		2,837	2,543	4,396	4,220

⁽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.

(UNAUDITED BUT REVIEWED)

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 March 2003 and 31 December 2002, in accordance with the BOT's guidelines, the Company has provided an allowance amounting to Baht 4,396 million and Baht 4,220 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	
	31 March	31 December	31 March	31 December	31 March	31 December	31 March	31 December
	2003	2002	2003	2002	2003	2002	2003	2002
				(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)	(Million Baht)
1. Companies vulnerable to delisting	5	4	95	685	14	544	73	99
2. Non - listed companies with similar operating results and financial positions to the companies vulnerable to delisting	26	24	1,722	1,797	904	1,064	695	701
3. Listed companies of which shares have been suspended for trading	4	3	78	69	33	33	31	30
4. Listed companies under rehabilitation	12	11	432	462	76	123	355	303
5. Companies having loan default problem	27	31	886	1,203	171	354	715	800
6. Companies having going concern issue as cited in auditors' report	3	5	849	880	434	307	106	115
Total	77	78	4,062	5,096	1,632	2,425	1,975	2,048

(UNAUDITED BUT REVIEWED)

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

As at 31 March 2003 and 31 December 2002, a local subsidiary operating 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	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Substandard	28	27	-	-	-	-
Doubtful	508	510	508	510	508	510
Total	<u>536</u>	<u>537</u>	<u>508</u>	<u>510</u>	508	510
General reserve					27	25
Total					<u>535</u>	<u>535</u>

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

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

As at 31 March 2003 and 31 December 2002, 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)

	31 March 2003	31 December 2002
Current or overdue less than 90 days	5,740	5,354
Overdue		
91 - 365 days	133	104
More than 1 year	168	163
Debtors under litigation	64	61
Total	<u>6,105</u>	<u>5,682</u>

(UNAUDITED BUT REVIEWED)

8. PROPERTY FORECLOSED

As at 31 March 2003, the Company had obligations with regard to properties foreclosed which were received in repayment of debts amounting to Baht 731 million (as at 31 December 2002: Baht 731 million). The debtors may repurchase these properties at prices and within periods specified in the agreements.

9. OTHER ASSETS

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Value added tax – net	813,453	724,226	718,716	639,816
Accrued interest receivable	37,260	52,498	35,632	49,915
Fee receivable	241,514	213,039	165,042	139,111
Prepaid income tax	102,307	99,063	51,386	47,516
Deferred computer system development cost - net	41,242	45,109	37,511	40,984
Deposits	9,611	10,183	3,155	3,171
Other receivables	69,653	81,973	64,545	75,730
Others	228,117	160,020	94,502	49,384
Total other assets	<u>1,543,157</u>	<u>1,386,111</u>	<u>1,170,489</u>	<u>1,045,627</u>

10. OTHER LIABILITIES

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Corporate income tax payable	105,422	53,509	-	-
Withholding income tax and other tax payable	47,686	88,746	36,617	64,142
Accrued insurance premium	223,395	163,551	174,361	129,768
Other liabilities	400,856	299,575	208,326	164,486
Total other liabilities	<u>777,359</u>	<u>605,381</u>	<u>419,304</u>	<u>358,396</u>

11. SHARE CAPITAL AND WARRANTS

- a) The Company has a registered capital of Baht 11,002 million which, according to the documents filed with the Ministry of Commerce in 1999, comprises 100.2 million ordinary shares and 1,000 million preference shares, both with a par value of Baht 10 each. The preference shares can be, and were from time to time, converted to ordinary shares in accordance with the Memorandum and Articles of Association. Up to 31 March 2003, 420,723,420 preference shares had been converted into ordinary shares, and such conversion registered with the authorities.

As at 31 March 2003, there remained a total of 186,523,580 preference shares which are eligible for conversion to ordinary 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-day 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.

(UNAUDITED BUT REVIEWED)

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-day 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 24 April 2003, the annual general meeting of the Company's shareholders passed a resolution approving the allocation of 800,000 warrants to the directors. These approved conditions are to be effective subsequent to the receipt of approval from the Office of the Securities and Exchange Commission.

Up to 31 March 2003, the Company allocated 19,781,000 warrants, and employees who had been allocated warrants had exercised their rights to purchase a total of 6,200,000 preference shares, at an exercise price of Baht 10 each, amounting to Baht 62,000,000 and 1,047,000 preference shares at an exercise price of Baht 11.31 each, a total of Baht 11,841,570 of which 7,247,000 preference shares registered with the Ministry of Commerce.

As at 31 March 2003, 12,534,000 warrants remained unexercised.

12. CAPITAL FUND

As at 31 March 2003 and 31 December 2002, 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	
	31 March 2003	31 December 2002
<u>Tier I</u>		
Issued and fully paid up share capital	7,074,470	7,065,345
Premium on share capital	37,872	37,685
Statutory reserve	48,700	48,700
Net gain after appropriation	41,567	41,567
Total	<u>7,202,609</u>	<u>7,193,297</u>

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

	The Company Only	
	31 March 2003	31 December 2002
<u>Tier II</u>		
Subordinated debentures	331,000	331,000
Reserve for loans classified as pass	516,667	516,667
Total	847,667	847,667
Total capital fund	8,050,276	8,040,964

The capital ratios of the Company are as follows :-

	The Company Only			
	31 March 2003		31 December 2002	
	Company	Requirement	Company	Requirement
Tier I capital to risk assets	16.80%	4.00%	17.40%	4.00%
Total capital to risk assets	18.78%	8.00%	19.45%	8.00%
Total capital to issued and paid-up share capital	113.79%	75.00%	113.81%	75.00%

13. 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.

14. SURPLUS ON CHANGES IN THE VALUE OF INVESTMENTS

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Balance - beginning of the period	58,798	126,794	58,798	126,794
Increase (decrease) in changes in the value of securities during the period	22,729	(67,996)	22,729	(67,996)
Balance - end of the period	81,527	58,798	81,527	58,798

(UNAUDITED BUT REVIEWED)

15. GAIN (LOSS) ON INVESTMENTS

Gain (loss) on investments for the three-month periods ended 31 March 2003 and 2002 consist of the following :-

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Unrealised gain (loss) on investment	28,105	(120,407)	11,377	-
Realised gain on investment	23,147	336,371	8,148	96,562
Total	51,252	215,964	19,525	96,562

16. 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.

17. CORPORATE INCOME TAX

Corporate income tax expenses for the three-month periods ended 31 March 2003 and 2002 were arrived at as follows:

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	2003	2002	2003	2002
Income tax payable on taxable profit for the period	366,788	165,940	304,195	42,040
Add (less) : Net decrease (increase) in deferred tax on temporary differences	(3,528)	494	-	-
Less : Utilisation of income tax benefits on tax loss carried forward	(309,692)	(74,679)	(304,195)	(42,040)
Income tax expenses - net	53,568	91,755	-	-

(UNAUDITED BUT REVIEWED)

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

18. RECONCILIATION OF DILUTED EARNINGS PER SHARE

For the three-month periods ended 31 March						
Net earnings		Weighted average number of ordinary shares		Earnings per share		
<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	
Thousand Baht	Thousand Baht	Thousand shares	Thousand shares	Baht	Baht	
Basic earnings per share						
Net earnings	364,146	302,459	518,237	196,338	0.70	1.54
Effect of dilutive securities						
Preference shares (including 12.5 million warrants to purchase preference shares (2002 : 11.6 million warrants))						
-	-	201,744	517,864			
Diluted earnings per share						
Net earnings of ordinary shareholders assuming the conversion of preference shares to ordinary shares						
<u>364,146</u>	<u>302,459</u>	<u>719,981</u>	<u>714,202</u>	<u>0.51</u>	<u>0.42</u>	

19. 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 March 2003 and 2002 consist of the following :-

	Consolidated		(Unit : Thousand Baht) The Company Only	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash	6,501	4,162	3,495	1,058
Cash at banks and financial institutions	<u>781,029</u>	<u>811,240</u>	<u>227,983</u>	<u>223,095</u>

Cash and cash equivalents	<u>787,530</u>	<u>815,402</u>	<u>231,478</u>	<u>224,153</u>
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(UNAUDITED BUT REVIEWED)

20. RELATED PARTY TRANSACTIONS

During the three-month periods ended 31 March 2003 and 2002, 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 period	Increase	Decrease	Balance-end of the period
<u>Outstanding balance as at 31 March 2003</u>			
Associated company			
Borrowing and deposits from public :			
Volkswagen Leasing (Thailand) Limited	-	50,000	-
			50,000

(Unit : Thousand Baht)

The Company Only			
Balance- beginning of the period	Increase	Decrease	Balance-end of the period
<u>Outstanding balance as at 31 March 2003</u>			
Subsidiary companies			
Loans to wholly owned subsidiary companies :			
Thai Information Technology Co., Ltd.	50,183	-	4,774
			45,409
Borrowing and deposits from financial institutions :			
TISCO Securities Co., Ltd.	16,000	-	3,000
			13,000
TISCO Asset Management Co., Ltd.	2,000	-	-
			2,000
Other liabilities :			
Tru-Way Co., Ltd.	34,112	-	34,112
			-

(UNAUDITED BUT REVIEWED)

					(Unit : Thousand Baht)
	Consolidated		The Company Only		Pricing policy
	2003	2002	2003	2002	(For the period ended 2003)
Transactions occurred during the three-month periods ended 31 March					
Subsidiary companies					
Interest income	-	-	915	7,407	At rate determined under the contracts of approximately 7.5 percent per annum.
Rental income	-	-	3,324	2,997	At rate determined under the contract.
Risk and financial management fee	-	-	7,014	7,014	At rate determined under the contract.
Human Resources management fee	-	-	2,820	-	At rate determined under the contract.
Debt collection service expenses	-	-	-	65,795	Fees charged at 2 percent of outstanding balances.
Computer system advisory services expenses and office administration expenses	-	-	14,625	16,070	At rate determined under the negotiation
Car rental expenses	-	-	177	506	At rate determined under the contract.
Interest expenses	-	-	192	924	At rate of approximately 0.5, 0.75 and 1 percent per annum
Information services fee	-	-	41	-	At rate determined under the negotiation.
Associated company					
Interest expense	185	-	-	-	At rate of approximately 2.725 to 2.780 percent per annum
Account receivable management fee income and office administration fee income	3,785	6,451	-	-	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).

(UNAUDITED BUT REVIEWED)

As at 31 March 2003, 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-level 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	7,090	7,090

As at 31 March 2003, with the exception of loans to subsidiary companies mentioned in Note 5.1, 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 March 2003, 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.

21. FINANCIAL INFORMATION BY SEGMENT

Financial information relating to the finance business, securities business and other business segments as of 31 March 2003 and 31 December 2002 and for the three-month periods ended 31 March 2003 and 2002 is summarised below.

	(Unit : Million Baht)									
	For the three-month periods ended 31 March									
	Finance business		Securities business		Other business		Elimination		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net interest and dividend										
income after bad debt										
and doubtful accounts	597	305	8	9	(1)	(2)	(18)	(22)	586	290
Non-interest income	138	298	220	302	30	35	(34)	(108)	354	527
Operating expenses	(373)	(359)	(142)	(126)	(29)	(27)	30	99	(514)	(413)
Corporate income tax	(24)	(26)	(30)	(64)	-	(2)	-	-	(54)	(92)
Minority interest in net earnings										
in subsidiary companies	-	-	-	-	-	-	(8)	(10)	(8)	(10)
Net earnings	338	218	56	121	-	4	(30)	(41)	364	302

(UNAUDITED BUT REVIEWED)

(Unit : Million Baht)

	As at									
	Finance business		Securities business		Other business		Elimination		Total	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002	31 March 2003	31 December 2002	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Investments in securities	11,565	9,381	979	965	1	-	(4,156)	(4,165)	8,389	6,181
Loans, receivable and accrued interest receivable - net	38,070	36,405	489	971	-	-	(812)	(1,140)	37,747	36,236
Other assets	4,155	4,011	2,291	2,132	136	139	547	513	7,129	6,795
Total assets	53,790	49,797	3,759	4,068	137	139	(4,421)	(4,792)	53,265	49,212

22. COMMITMENTS**22.1 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 service fees amounting to approximately Baht 56 million.
- b) 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 borrowing, as of the last day of the previous six-month period. Contributions are to be made every 30 June and 31 December.
- c) 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.

22.2 Litigation

The Company was a defendant in certain lawsuits involving compensation of approximately Baht 91 million. As at 31 March 2003, 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.

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

23. 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 March 2003, the Company and its subsidiaries have no policy to speculate or trade in any derivative financial instruments.

23.1 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.

23.2 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	499	27	262	788
Loans to financial institutions	-	789	-	789
Investments in securities - net	457	4,889	3,043	8,389
Trading transactions with securities companies				
- receivable	-	-	279	279
Loans and receivable	6,160	33,109	3,168	42,437

7,116 38,814 6,752 52,682

(UNAUDITED BUT REVIEWED)

(Unit : Million Baht)

Consolidated				
Outstanding balances of financial instruments				
Floating interest rate	Fixed interest rate	Without interest	Total	
Financial liabilities				
Borrowings and deposits	26	37,116	249	37,391
Securities sold under repurchase agreements	-	220	-	220
Trading transactions with securities companies				
- liabilities	-	-	203	203
Securities business payable	268	-	481	749
Debentures	-	5,131	-	5,131
	<u>294</u>	<u>42,467</u>	<u>933</u>	<u>43,694</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	19	2	210	231
Investments in securities - net	457	4,852	7,390	12,699
Loans and receivable	6,119	27,267	2,705	36,091
	<u>6,595</u>	<u>32,121</u>	<u>10,305</u>	<u>49,021</u>
Financial liabilities				
Borrowings and deposits	-	34,464	143	34,607
Securities sold under repurchase agreements	-	220	-	220
Debentures	-	5,131	-	5,131
	<u>-</u>	<u>39,815</u>	<u>143</u>	<u>39,958</u>

The Company has entered into interest rate swap agreements to pay fixed rate interest in exchange for receipt of floating rate interest on the nominal principal of Baht 1,000 million. These agreements will expire in 2005 and 2008.

In addition, the Company has entered into interest rate swap agreements to exchange a floating interest rate on the Baht 2,800 million debentures for a fixed interest rate. The agreements expire in 2007. The Company has also entered into interest rate swap agreements to exchange floating interest rates on loans and deposits amounting to Baht 700 million for a fixed interest rate. The agreements expire in 2006 and 2008.

(UNAUDITED BUT REVIEWED)

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

(Unit : Million Baht)

Transactions	Consolidated						Interest rates %	
	Repricing or maturity date							
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 Years	Unspecified		Total
Financial assets								
Cash and deposits at financial institutions	-	2	25	-	-	-	27	1.0833
Loans to financial institutions	613	106	70	-	-	-	789	1.6861
Investments in securities - net	-	3,751	687	-	391	-	4,829	3.6513
Loans and receivable	1,639	4,181	9,713	14,021	3,093	444	33,106	9.1275
	<u>2,252</u>	<u>8,040</u>	<u>10,495</u>	<u>14,021</u>	<u>3,484</u>	<u>444</u>	<u>38,816</u>	
Financial liabilities								
Borrowings and deposits	862	9,705	13,421	13,112	-	-	37,110	2.7774
Securities sold under repurchase agreements	-	220	-	-	-	-	220	1.6875
Debentures	-	-	-	4,800	331	-	5,131	4.1610
	<u>862</u>	<u>9,925</u>	<u>13,421</u>	<u>17,912</u>	<u>331</u>	<u>-</u>	<u>42,461</u>	

(Unit : Million Baht)

Transactions	The Company Only						Interest rates %	
	Repricing or maturity date							
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 Years	Unspecified		Total
Financial assets								
Cash and deposits at financial institutions	-	2	-	-	-	-	2	0.2500
Investments in securities - net	-	3,751	687	27	387	-	4,852	3.6200
Loans and receivable	1,336	3,334	7,674	11,830	3,093	-	27,267	7.5700
	<u>1,336</u>	<u>7,087</u>	<u>8,361</u>	<u>11,857</u>	<u>3,480</u>	<u>-</u>	<u>32,121</u>	
Financial liabilities								
Borrowings and deposits	594	9,427	11,453	12,990	-	-	34,464	2.6980
Securities sold under repurchase agreements	-	220	-	-	-	-	220	1.6870
Debentures	-	-	-	4,800	331	-	5,131	4.1610
	<u>594</u>	<u>9,647</u>	<u>11,453</u>	<u>17,790</u>	<u>331</u>	<u>-</u>	<u>39,815</u>	

(UNAUDITED BUT REVIEWED)

23.3 Liquidity risk

The periods to maturity dates of financial instruments held as of 31 March 2003, counting from the balance sheet date, are as follows :-

(Unit : Million Baht)

Transactions	Consolidated							Total
	At call	0-3 months	3-12 months	1 – 5 years	Over 5 years	Unspecified	Non performing loans	
Financial assets								
Cash and deposits at financial institutions	42	338	25	-	-	3	-	788
Loans to financial institutions	61	106	70	-	-	-	-	789
Investments in securities - net	1,79	3,752	687	402	499	1,257	-	8,389
Trading transactions with securities companies - receivable	-	279	-	-	-	-	-	279
Loans and receivable	99	4,812	11,222	17,909	3,844	-	3,658	42,437
	<u>3,81</u>	<u>9,287</u>	<u>12,004</u>	<u>18,311</u>	<u>4,343</u>	<u>1,260</u>	<u>3,658</u>	<u>52,682</u>
Financial liabilities								
Borrowings and deposits	1,11	9,705	13,421	13,128	-	21	-	37,391
Securities sold under repurchase agreements	-	220	-	-	-	-	-	220
Trading transactions with securities companies - liabilities	-	203	-	-	-	-	-	203
Securities business payable	26	489	-	-	-	-	-	749
Debentures	-	-	-	4,800	331	-	-	5,131
	<u>1,37</u>	<u>10,617</u>	<u>13,421</u>	<u>17,928</u>	<u>331</u>	<u>21</u>	<u>-</u>	<u>43,694</u>
Off - balance sheet items								
Aval to bills	-	640	8	-	-	-	-	648
Guarantees of loans and others	24	-	-	231	-	-	-	478

(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	
Financial assets								
Cash and deposits at financial institutions	2	206	-	-	-	-	-	231
Investments in securities - net	1,50	3,752	687	369	495	5,896	-	12,699
Loans and receivable	86	3,537	9,213	15,704	3,844	-	2,930 ^(*)	36,091
	<u>2,38</u>	<u>7,495</u>	<u>9,900</u>	<u>16,073</u>	<u>4,339</u>	<u>5,896</u>	<u>2,930</u>	<u>49,021</u>

* Non performing loans according to the BOT's guidelines

(UNAUDITED BUT REVIEWED)

(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	
Financial liabilities								
Borrowings and deposits	73	9,427	11,453	12,990	-	-	-	34,607
Securities sold under repurchase agreements	-	220	-	-	-	-	-	220
Debentures	-	-	-	4,800	331	-	-	5,131
	<u>73</u>	<u>9,647</u>	<u>11,453</u>	<u>17,790</u>	<u>331</u>	<u>-</u>	<u>-</u>	<u>39,958</u>
Off balance sheet items								
Aval to bills	-	640	8	-	-	-	-	648
Guarantees of loans and others	24	-	-	231	-	-	-	478

23.4 Foreign exchange risk

As at 31 March 2003, the Company did not have any financial instruments in foreign currencies except investment in a subsidiary company amounting of Baht 269 million.

23.5 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 March 2003, 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.

24. SUBSEQUENT EVENT

Resolutions of the annual general meeting of the Company's shareholders held on 24 April 2003, approved the Company's accepting the transfer of business from Tru-way Company Limited which is a subsidiary company, and the issuance of unsecured, unsubordinated and/or subordinated Baht debenture in an amount of no more than Baht 10,000 million and with a maturity of upto 10 years. The Executive Board is authorized to determine the terms, and conditions of the debentures, and the timing of the issuance.

25. PRESENTATION

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