



(TRANSLATION)

AUDITOR'S REPORT

TO : THE SHAREHOLDERS OF THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED

The Office of the Auditor General has audited the accompanying consolidated and the Company balance sheets as at September 30, 2003 and 2002, the related consolidated and the Company statements of income, changes in shareholders' equity, and cash flows for each of the two years in the period ended September 30, 2003, of Thai Airways International Public Company Limited and its subsidiaries. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. The responsibility of the Office of the Auditor General is to express an opinion on these financial statements based on its audits.

The Office of the Auditor General conducted the audits in accordance with generally accepted auditing standards. Those standards require that the Office of the Auditor General 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 statement presentation. The Office of the Auditor General believes that the audits provide a reasonable basis for the opinion.

In the opinion of the Office of the Auditor General, the consolidated and the Company financial statements referred to above present fairly, in all material respects, the consolidated and the Company financial position as at September 30, 2003 and 2002, the results of the consolidated and the Company operations, changes in the consolidated and the Company shareholders' equity, and the consolidated and the Company cash flows for each of the three years in the period ended September 30, 2002, of Thai Airways International Public Company Limited and its subsidiaries, in conformity with generally accepted accounting principles.



With the opinion on the financial statements is unqualified, the Office of the Auditor General draws attention to Note 3.19 to the financial statements regarding passenger revenues and flight operation expenses. In this fiscal year, the Company recognised insurance surcharge from passengers, which was recorded in unearned revenues, as passenger revenues and flight operation expenses amount of Baht 4,042.12 million and Baht 2,020.55 million, respectively.

(Signed) *Jerarat Noppawong Na Ayutthaya*
(Jerarat Noppawong Na Ayutthaya)
For Auditor General

(Signed) *Rungravee Sahomsuwan*
(Rungravee Sahomsuwan)
Auditor in-charge

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT SEPTEMBER 30, 2003 AND 2002

Unit : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
ASSETS					
Current Assets					
Cash and cash equivalents	3.1	9,205,595,942	20,117,223,571	8,852,154,752	19,889,254,758
Fixed deposits due over 3 months		3,266,968,582	632,206,185	3,266,968,582	632,206,185
Current investments	3.2	464,698,198	149,655,337	464,698,198	149,655,337
Trade account receivables-net	3.3	12,487,308,725	13,201,683,343	12,436,556,840	13,199,668,913
Inventories and supplies-net	3.4	3,636,445,054	3,530,547,721	3,636,445,054	3,530,547,721
Other current assets					
Prepaid expenses and deposits		4,506,722,668	4,107,639,784	4,506,358,573	4,107,311,092
Others	3.5	1,027,371,394	1,644,888,781	1,007,199,182	1,515,774,884
Total Current Assets		34,595,110,563	43,383,844,722	34,170,381,181	43,024,418,890
Non-Current Assets					
Investments using the equity method	3.6.1	881,672,921	874,298,101	1,175,562,930	1,129,506,110
Other long-term investments	3.6.2	79,599,757	73,381,486	79,599,757	73,381,486
Loan for investment in aircraft spare parts	3.9	22,183,066	27,449,664	22,183,066	27,449,664
Property, Plant and Equipment-Net	3.8				
Aircraft		59,427,503,075	55,129,520,462	59,427,503,075	55,129,520,462
Aircraft under capital leases		51,817,987,968	43,072,054,106	51,817,987,968	43,072,054,106
Aircraft spare parts		7,834,461,671	8,385,842,592	7,834,461,671	8,385,842,592
Land, buildings and improvements		2,847,995,639	3,231,407,314	2,847,995,639	3,231,407,314
Other plant and equipment		4,366,034,717	4,348,688,751	4,275,054,813	4,278,249,391
Other Non -Current Assets					
Deferred charges		345,910,606	-	345,910,606	-
Advance payments for aircraft		-	12,971,766,099	-	12,971,766,099
Concessions for acquisitions of aircraft and engines		258,024,264	260,183,634	258,024,264	260,183,633
Deferred income taxes	3.10	5,501,927,674	6,651,807,517	5,496,924,651	6,647,873,767
Total Non-Current Assets		133,383,301,358	135,026,399,726	133,581,208,440	135,207,234,624
Total Assets		167,978,411,921	178,410,244,448	167,751,589,621	178,231,653,514

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT SEPTEMBER 30, 2003 AND 2002

Unit : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade account payables		4,655,074,192	3,872,767,705	4,647,347,056	3,869,340,849
Short-term loans	3.12	4,009,640,000	12,175,240,000	4,009,640,000	12,175,240,000
Current portion of long-term loans					
Long-term loans	3.13	5,295,758,282	10,926,105,121	5,295,758,282	10,926,105,121
Liabilities under capital leases	3.14	7,877,867,258	8,651,931,490	7,877,867,258	8,651,931,490
Promissory notes	3.15	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Other current liabilities					
Accrued expenses		11,562,809,872	11,002,519,650	11,556,072,646	10,998,785,010
Accrued dividends	3.18	34,161,846	26,870,757	34,161,846	26,870,757
Accrued income taxes		1,094,545,925	1,799,939,805	1,064,347,329	1,778,010,536
Unearned transportation revenues		14,030,371,856	14,013,727,120	14,030,371,856	14,013,727,120
Others	3.11	4,154,327,049	3,732,278,482	4,128,485,223	3,707,844,896
Total Current Liabilities		53,764,556,280	67,251,380,130	53,694,051,496	67,197,855,779
Non-Current Liabilities					
Long-term debts					
Long-term loans	3.13	29,490,714,661	36,824,867,614	29,490,714,661	36,824,867,614
Liabilities under capital leases	3.14	35,292,040,815	34,800,841,704	35,292,040,815	34,800,841,704
Promissory notes	3.15	6,300,000,000	7,350,000,000	6,300,000,000	7,350,000,000
Staff pension fund	3.23	3,729,301,165	3,452,719,890	3,729,301,165	3,452,719,890
Others		347,054,951	376,367,715	347,054,951	376,367,715
Total Non-Current Liabilities		75,159,111,592	82,804,796,923	75,159,111,592	82,804,796,923
Total Liabilities		128,923,667,872	150,056,177,053	128,853,163,088	150,002,652,702
Shareholders' Equity					
Share capital					
Authorized					
1,700 million ordinary shares par value of Baht 10 each	3.16	17,000,000,000	17,000,000,000	17,000,000,000	17,000,000,000
Issued and paid-up					
1,400 million ordinary shares par value of Baht 10 each		14,000,000,000	14,000,000,000	14,000,000,000	14,000,000,000
Premium on common stock		4,750,000,000	4,750,000,000	4,750,000,000	4,750,000,000
Unrealised gain on change in market valuation	3.2	454,324,822	138,398,377	454,324,822	138,398,377
Retained Earnings (Deficit)					
Appropriated					
Legal reserve	3.17	1,700,000,000	1,541,881,364	1,700,000,000	1,541,881,364
Unappropriated		17,994,101,711	7,798,721,071	17,994,101,711	7,798,721,071
Total Company Shareholders' Equity		38,898,426,533	28,229,000,812	38,898,426,533	28,229,000,812
Minority interests		156,317,516	125,066,583	-	-
Total Shareholders' Equity		39,054,744,049	28,354,067,395	38,898,426,533	28,229,000,812
Total Liabilities and Shareholders' Equity		167,978,411,921	178,410,244,448	167,751,589,621	178,231,653,514

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

(Signed) *Kobchai Srivilas*
(Kobchai Srivilas)
Senior Executive Vice President,
Corporate Planning and Information
Technology Services Department
Acting President

(Signed) *Santi Purivetkunakorn*
(Santi Purivetkunakorn)
Vice President, Comptroller Department
Acting Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

For the years ended September 30, 2003 and 2002

Unit : Baht

	<u>Notes</u>	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues from the Sale of Goods and the Rendering of Services					
Passenger and excess baggage	3.19	106,408,738,055	102,195,967,287	106,408,738,055	102,195,967,287
Freight		21,370,905,982	19,981,396,153	21,370,905,982	19,981,396,153
Mail		871,312,615	728,138,288	871,312,615	728,138,288
Other activities		5,885,326,717	6,109,991,638	5,569,308,193	5,830,358,434
Total Revenues from the Sale of Goods and the Rendering of Services					
Rendering of Services		134,536,283,369	129,015,493,366	134,220,264,845	128,735,860,162
Selling and Administrative Expenses					
Flight operations	3.19	32,174,120,643	25,994,872,814	32,174,120,643	25,994,872,814
Maintenance and overhaul		15,435,020,462	15,998,385,088	15,435,020,462	15,998,385,088
Ground operations		20,170,725,173	19,651,957,611	20,170,725,173	19,651,957,611
Passenger services		15,409,832,371	14,968,007,913	15,409,832,371	14,968,007,913
Marketing		10,968,570,090	10,831,601,999	10,968,570,090	10,831,601,999
Administration and general		2,021,090,705	1,711,463,710	2,021,090,705	1,711,463,710
Remuneration to board of directors		5,604,380	4,568,842	3,996,989	3,389,542
Lease of aircraft and spare parts		7,832,669,515	8,426,485,181	7,832,669,515	8,426,485,181
Depreciation of aircraft		9,373,796,179	8,692,541,076	9,373,796,179	8,692,541,076
Depreciation of other fixed assets		1,572,526,789	1,686,585,669	1,547,974,436	1,671,117,843
Other activities		1,858,169,204	2,360,629,983	1,698,068,892	2,203,808,740
Total Selling and Administrative Expenses		116,822,125,511	110,327,099,886	116,635,865,455	110,153,631,517
Profit from the Sale of Goods and the Rendering of Services		17,714,157,858	18,688,393,480	17,584,399,390	18,582,228,645

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

For the years ended September 30, 2003 and 2002

Unit : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
Profit from the Sale of Goods and the Rendering of Services		17,714,157,858	18,688,393,480	17,584,399,390	18,582,228,645
Other Income					
Interest income		263,992,439	319,541,870	262,777,979	318,635,124
Others	3.21	460,430,662	174,868,159	457,714,085	174,281,702
Total Other Income		724,423,101	494,410,029	720,492,064	492,916,826
Other Expenses					
Gains on foreign currency exchange		(4,159,844,707)	(2,410,303,960)	(4,159,844,707)	(2,410,303,960)
Yields from pension fund		37,487,143	47,284,715	37,487,143	47,284,715
Others	3.22	599,534,067	1,524,690,023	598,300,348	1,522,963,164
Total Other Expenses		(3,522,823,497)	(838,329,222)	(3,524,057,216)	(840,056,081)
Profit from Operations		21,961,404,456	20,021,132,731	21,828,948,670	19,915,201,552
Share of Profits from Investments Using the Equity Method					
Share of net profit from subsidiary companies		-	-	51,057,000	37,058,276
Share of net profit from associated companies		165,599,050	171,088,604	165,599,050	171,088,604
Total Share of Profits from Investments Using the Equity Method		165,599,050	171,088,604	216,656,050	208,146,880
Profit before Interest and Income Tax Expenses		22,127,003,506	20,192,221,335	22,045,604,720	20,123,348,432
Interest expenses		4,321,996,221	5,776,258,294	4,321,996,221	5,776,258,294
Income tax expenses		5,310,132,076	4,204,121,686	5,270,109,223	4,165,174,403
Profit after Tax		12,494,875,209	10,211,841,355	12,453,499,276	10,181,915,735
Net profit of minority interest		41,375,933	29,925,620	-	-
Net profit		12,453,499,276	10,181,915,735	12,453,499,276	10,181,915,735
Primary earnings per share	2.8				
Net profit		8.90	7.27	8.90	7.27

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

(Signed) *Kobchai Srivilas*
(Kobchai Srivilas)
Senior Executive Vice President,
Corporate Planning and Information
Technology Services Department
Acting President

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(Santi Purivetkunakorn)
Vice President, Comptroller Department
Acting Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended September 30, 2003 and 2002

Unit : Baht

		CONSOLIDATED						
<u>Notes</u>	Share Capital issued and fully paid	Premium on share capital	Retained Earnings (Deficit) (restated)	Unrealised Gain	Legal Reserve	Minority Interest	Total	
Balance at the beginning of the year ended								
September 30, 2002	14,000,000,000	4,750,000,000	(7,255,268,487)	-	1,032,785,577	101,890,963	12,629,408,053	
- Adjustment of recording of exemption tax from losses on foreign currency	-	-	5,381,169,610	-	-	-	5,381,169,610	
Balance at the beginning - after adjustment	14,000,000,000	4,750,000,000	(1,874,098,877)	-	1,032,785,577	101,890,963	18,010,577,663	
Unrealised gain on change in market valuation	-	-	-	138,398,377	-	-	138,398,377	
<u>Add</u> Net Profit	-	-	10,181,915,735	-	-	29,925,620	10,211,841,355	
<u>Less</u> Dividends paid	-	-	-	-	-	(6,750,000)	(6,750,000)	
<u>Less</u> Legal reserve	-	-	(509,095,787)	-	509,095,787	-	-	
At the end of the year 2002	14,000,000,000	4,750,000,000	7,798,721,071	138,398,377	1,541,881,364	125,066,583	28,354,067,395	
Unrealised gain on change in market valuation	-	-	-	315,926,445	-	-	315,926,445	
<u>Add</u> Net Profit	-	-	12,453,499,276	-	-	41,375,933	12,494,875,209	
<u>Less</u> Dividends paid	-	-	(2,100,000,000)	-	-	(10,125,000)	(2,110,125,000)	
<u>Less</u> Legal reserve	-	-	(158,118,636)	-	158,118,636	-	-	
3.17	-	-	-	-	-	-	-	
Balance at the end of the year ended September 30, 2003	14,000,000,000	4,750,000,000	17,994,101,711	454,324,822	1,700,000,000	156,317,516	39,054,744,049	

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

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THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended September 30, 2003 and 2002

Unit : Baht

Notes	THE COMPANY					Total
	Share Capital	Premium	Retained Earnings	Unrealised	Legal	
	issued and fully paid	on share capital	(Deficit) (restated)	Gain	Reserve	
Balance at the beginning of the year ended						
September 30, 2002	14,000,000,000	4,750,000,000	(7,255,268,487)	-	1,032,785,577	12,527,517,090
- Adjustment of recording of exemption tax from losses on foreign currency	-	-	5,381,169,610	-	-	5,381,169,610
Balance at the beginning - after adjustment	14,000,000,000	4,750,000,000	(1,874,098,877)	-	1,032,785,577	17,908,686,700
Unrealised gain on change in market valuation	-	-	-	138,398,377	-	138,398,377
<u>Add</u> Net Profit	-	-	10,181,915,735	-	-	10,181,915,735
<u>Less</u> Legal reserve	-	-	(509,095,787)	-	509,095,787	-
At the end of the year 2002	14,000,000,000	4,750,000,000	7,798,721,071	138,398,377	1,541,881,364	28,229,000,812
Unrealised gain on change in market valuation	-	-	-	315,926,445	-	315,926,445
<u>Add</u> Net Profit	-	-	12,453,499,276	-	-	12,453,499,276
<u>Less</u> Dividends paid	-	-	(2,100,000,000)	-	-	(2,100,000,000)
<u>Less</u> Legal reserve 3.17	-	-	(158,118,636)	-	158,118,636	-
Balance at the end of the year ended September 30, 2003	14,000,000,000	4,750,000,000	17,994,101,711	454,324,822	1,700,000,000	38,898,426,533

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

(Signed) *Kobchai Srivilas*
(Kobchai Srivilas)
Senior Executive Vice President,
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Acting President

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(Santi Purivetkunakorn)
Vice President, Comptroller Department
Acting Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2003 and 2002

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
				Unit : Baht
Cash flows from operating activities				
Net profit	12,453,499,276	10,181,915,735	12,453,499,276	10,181,915,735
Adjustment to reconcile net profit to cash provided by (paid from) operating activities :				
Depreciation	10,946,322,968	10,379,126,745	10,921,770,615	10,363,658,919
Income from investments using the equity method	(165,599,050)	(171,088,605)	(216,656,050)	(208,146,880)
Losses on sales of assets	140,726,743	437,556,538	140,726,743	437,556,538
Amortisation of deferred charges	9,964,302	-	9,964,302	-
Gains on foreign currency exchange	(3,194,078,774)	(2,378,888,328)	(3,194,078,774)	(2,378,888,328)
Net profit of minority interests	41,375,933	29,925,620	-	-
Reserve for obsolete inventories	194,064,576	185,442,747	194,064,576	185,442,747
Allowance for doubtful accounts, impairment in value of assets	(100,147,637)	553,844,325	(101,346,882)	551,843,707
Operating profit before changes in operating assets and liabilities	20,326,128,337	19,217,834,777	20,207,943,806	19,133,382,438
Decrease (increase) in operating assets :				
Trade account receivables	782,256,225	(2,355,098,341)	832,192,926	(2,354,652,392)
Inventories and supplies	(299,961,909)	(106,297,591)	(299,961,909)	(106,297,591)
Prepaid expenses and deposits	(589,249,153)	321,687,301	(589,213,750)	321,861,921
Tax refund	-	2,785,459,667	-	2,785,459,667
Other current assets	608,098,719	1,871,713,191	499,157,033	1,928,298,709
Deferred income taxes	1,149,879,843	511,381,616	1,150,949,116	515,093,221
Deferred charges	(355,874,908)	-	(355,874,908)	-
Concessions for acquisitions of aircraft and engines	(43,386,680)	646,782,388	(43,386,680)	646,782,388
Increase (decrease) in operating liabilities :				
Trade account payables	861,855,632	749,764,450	857,555,352	749,437,940
Accrued expenses and other current liabilities	547,134,842	665,502,994	534,454,688	658,782,061
Staff pension fund	276,581,275	45,887,277	276,581,275	45,887,277
Unearned transportation revenue	16,644,736	1,208,737,586	16,644,736	1,208,737,586
Net cash from operating activities	23,280,106,959	25,563,355,315	23,087,041,685	25,532,773,225

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

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2003 and 2002

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Unit : Baht				
Cash flows from investing activities				
Increase in short-term investments	(2,634,762,397)	753,411,148	(2,634,762,397)	753,411,148
Cash paid for acquisition of fixed assets	(4,583,824,732)	(4,693,690,403)	(4,538,731,835)	(4,652,394,649)
Cash paid for advance payment for aircraft	(5,106,100,768)	-	(5,106,100,768)	-
Cash received from sales of assets	156,310,790	299,248,132	156,310,790	299,248,132
Investments	149,292,025	188,416,328	161,667,025	196,666,328
Cash received from loan for investing in aircraft spare parts	3,276,000	-	3,276,000	-
Net cash used in investing activities	(12,015,809,082)	(3,452,614,795)	(11,958,341,185)	(3,403,069,041)
Cash flows from financing activities				
Cash received from short-term loans	4,290,000,000	4,430,000,000	4,290,000,000	4,430,000,000
Cash received from long-term loans	9,594,036,699	8,210,310,000	9,594,036,699	8,210,310,000
Cash paid for repayment of short-term loans	(12,175,240,000)	(1,700,000,000)	(12,175,240,000)	(1,700,000,000)
Cash paid for repayment of long-term loans	(20,297,052,007)	(20,192,596,023)	(20,297,052,007)	(20,192,596,023)
Cash paid for repayment of promissory notes	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)
Dividends paid	(2,102,833,912)	(6,825,480)	(2,092,708,912)	(49,230)
Net cash used in financing activities	(21,741,089,220)	(10,309,111,503)	(21,730,964,220)	(10,302,335,253)
Increase (decrease) in cash and cash equivalents	(10,476,791,343)	11,801,629,017	(10,602,263,720)	11,827,368,931
Effects of exchange rate changes on cash and bank balances	(434,836,286)	287,868,350	(434,836,286)	287,868,350
Cash and cash equivalents at the beginning of the year	20,117,223,571	8,027,726,204	19,889,254,758	7,774,017,477
Cash and cash equivalents at the end of the year	9,205,595,942	20,117,223,571	8,852,154,752	19,889,254,758
Supplementary cash flows information :				
Cash paid during the year for				
Interest expenses	4,396,450,305	6,126,349,384	4,396,450,305	6,126,349,384
Corporate income tax	4,913,479,280	1,814,256,045	4,880,656,782	1,764,217,288
Non-cash transaction				
Assets under financial lease	13,670,675,182	-	13,670,675,182	-

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

(Signed) *Kobchai Srivilas*
(Kobchai Srivilas)
Senior Executive Vice President,
Corporate Planning and Information
Technology Services Department
Acting President

(Signed) *Santi Purivetkunakorn*
(Santi Purivetkunakorn)
Vice President, Comptroller Department
Acting Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
For the years ended September 30, 2003 and 2002

1. BASIC OF FINANCIAL STATEMENT PREPARATION

The Company's financial statements consist of Thai Airways International Public Company Limited and the Company's staff pension fund.

The consolidated financial statements consist of the Company and two subsidiaries, Thai-Amadeus Southeast Asia Company Limited and Thai Information Solution Company Limited, in which the Company holds equity interests of 55% and 100%, respectively. Significant transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for trade account receivables, excluding those from government agencies and state enterprises, which are more than 6 months overdue:

Period overdue	Allowance for doubtful accounts (%)
6 months up to 1 year	50
1 year up to 2 years	75
2 years or more	100

Allowance for doubtful accounts for contingent estimated losses that may result from uncollectable trade account receivables, including government agencies and state enterprises, is estimated from historical collection experience and the position of account receivables at the balance sheet date.

2.2 Inventories and Supplies

Inventories and supplies at the year-end are stated at the lower of moving average cost or net realisable value, except inventories in transit are stated at purchased date cost.

- Provision for obsolescence of aircraft spare parts is made at an annual rate of 10% of the year-end balance.
- Slow moving aircraft spare parts and spare parts for sales are spare parts not moving over two years or spare parts for aircraft not represented in the fleet. Provision for obsolescence is made at an annual rate of 33.33% of the incurred balance during the year.
- Provision for obsolete and damaged inventories is made at the full amount.

2.3 Investments

2.3.1 Investments in subsidiaries and associated companies are stated by the equity method.

2.3.2 Long-term investments in non-marketable equity securities are stated at cost net of a provision for impairment. An impairment loss is recognised in the income statement.

2.3.3 Current investments in marketable equity securities are stated at market value at the year-end. Gain or loss on change in value of trading securities is recognised in the income statement. For available-for-sale securities, the Company recognises gain or loss on change in value as an unrealised gain or loss under shareholders' equity.

2.4 Property, Plant and Equipment and Depreciation

2.4.1 Aircraft and aircraft under capital leases are stated at cost including, where applicable, cost of decoration and acquisition, interest on loans for the purchase of the aircraft incurred prior to the aircraft being placed into service, less any concessions for the acquisition of aircraft. Depreciation is calculated on a straight-line basis over an estimated useful life of 20 years with a salvage value of 10 % of cost.

2.4.2 Aircraft overhaul ("D-CHECK") costs:

- Aircraft and aircraft under capital lease are capitalised and depreciated on a straight - line basis over an estimated useful life of 4-7 years.
- Aircraft under operating lease are presented as deferred charges and recognised as expenses over an estimated useful life of 4-7 years but not over the lease term.

2.4.3 Modification and improvement to aircraft are stated at cost and depreciated on a straight-line basis over an estimated useful life of 5 years.

2.4.4 Aircraft spare parts are stated at cost on the acquisition date and depreciated on a straight-line basis over an estimated useful life of 5-20 years.

2.4.5 Other fixed assets are stated at cost on the acquisition date or on the date of completion of construction and depreciated on a straight-line basis over an estimated useful life of 5-20 years.

2.4.6 Leasehold buildings are amortised over a period of 10 years.

2.4.7 Gain or loss on sale of aircraft is calculated from the difference between the sale price and the net book value of the aircraft, including D-checks and improvements to equipment, net of sales expense. Gain or loss on sale of other assets is calculated from the difference between the sale price and net book value of sold assets and recognised as revenue or expense in the income statement.

2.5 Concessions for the Acquisition of Aircraft and Engines

The Company records its concessions received under contracts for the acquisition of aircraft and engines as “Concessions for acquisitions of aircraft and engines” (other assets), together with “Deferred concessions to reduce cost of aircraft” (other liabilities). When aircraft and engines are received, the relevant concession amount is transferred from “Deferred concessions to reduce cost of aircraft” to reduce cost of received aircraft. When assets or services under concessions are received, amounts from “Concessions for acquisitions of aircraft and engines” are transferred to assets or expensed, as appropriate.

2.6 Liabilities Under Capital Leases

Liabilities under capital leases are liabilities from the purchase of aircraft under long-term capital leases with financial institutions and are stated at obligation value less aggregate repayments. These leases constitute financial leases.

2.7 Revenue Recognition

2.7.1 Passenger and excess baggage revenues:

- Revenue from ticket sales and service orders is recognised as revenue when transportation is provided. For passengers using the services of other airlines, the difference between the selling price charged by the Company and the amount billed to the Company by those airline performing the services is recognised as revenue.

- Unused tickets and service orders are recognised as revenue after 2 years.

2.7.2 Freight revenue is recognised when the Company provides the services and issues its air waybills. For freight carried by other air carriers, the difference between the selling price charged by the Company and the amount billed to the Company by those air carriers performing the services is recognised as revenue.

- Freight with respect to which the Company has issued an air waybill but which is carried by other air carriers is recognised as revenue if the other air carriers do not bill within 1 year.

2.7.3 Since 1993, the Company has operated a frequent flyer programme called “Royal Orchid Plus”. Members exchange accumulated mileage for services. The Company calculates cost per mile by dividing the average net collected fare in each zone by the number of miles redeemed for awards in that zone. The Company estimates the number of miles utilised by members based upon the weighted zonal redemption. The estimated cost is used to reduce passenger revenues and record liability under “unearned transportation revenue”. Revenues are recognised when members redeem awards.

- Unredeemed awards are recognised as revenue after 3 years.
- Redemptions with Star Alliance partners involve interline billing arrangements and costs per mile specified in partner agreements. Revenues are recognised when transportation is provided.

- The Company sells mileage to its members in order to encourage redemptions and recognises the difference between the sale price and mileage cost as revenue.

2.7.4 Revenues from business units, technical services, customer services, ground support equipment services and cargo services are recognised when services are provided. Revenues from catering, sales on board and the Thai shop are recognised at sale.

2.7.5 Other revenues are recognised on an accrual basis.

2.8 Primary Earnings Per Share

Primary earnings per share is calculated by dividing net profit for the year by the weighted average number of paid-up ordinary shares.

2.9 Foreign Currency Transactions

Foreign currency transactions incurred during the year are translated into Baht at exchange rates calculated from the average exchange rate of the Bank of Thailand and commercial banks in the month in which the transaction occurs.

Assets and liabilities denominated in foreign currency at year-end are translated into Baht at average commercial bank buying and selling rates announced by the Bank of Thailand at that date. Gains or losses on currency exchange are recognised in the income statement.

2.10 Staff Provident Fund

On June 26, 1992, the Company established an “Employee of Thai Airways International Public Company Limited Registered Provident Fund” in accordance with the Provident Fund Act B.E. 2530. The fund is managed by a professional fund manager and does not appear on the Company’s balance sheet. The Company contributes to the fund on a monthly basis at a rate of 9% of salaries for members having not more than 20 years of service and 10% for members having more than 20 years of service. Contributions are treated as expenses of the Company.

2.11 Deferred Income Tax

The Company’s tax expenses is calculated in accordance with the Revenue Code. Deferred tax assets are calculated to comply with Accounting Standard No.56 effective on or after January 1, 2007. The Company adopted such standard in fiscal year 2002.

3. SUPPLEMENTARY INFORMATION

3.1 Cash and Cash Equivalents

	<u>Consolidated</u>		<u>Unit : Million Baht The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash - Domestic	10.65	11.53	10.65	11.53
Cash - Abroad	20.79	25.72	20.79	25.72
Bank Deposits - Domestic	5,218.39	4,645.91	4,864.95	4,417.94
Bank Deposits - Abroad	<u>3,955.76</u>	<u>15,434.06</u>	<u>3,955.76</u>	<u>15,434.06</u>
Total	<u>9,205.59</u>	<u>20,117.22</u>	<u>8,852.15</u>	<u>19,889.25</u>

Cash and cash equivalents have already included cash and cash equivalent of the Company's staff pension discussed in Note 3.23.

3.2 Current Investments

On June 27, 2002, the Company received 508,937 shares in FRANCE TELECOM, listed on the Bourse de Paris and the New York Stock Exchange, from SITA. The details are as follows:

<u>Name of Company</u>	<u>No. of Shares</u>	<u>Market Value/Share (at Bourse de Paris) September 30, 2003</u>	<u>Amount (Million)</u>	<u>Amount THB (Million)</u>
FRANCE TELECOM	508,937	EUR 19.75	EUR 10.05	464.69
Cost value			US\$ 0.26	<u>10.37</u>
Unrealised gain on change in market value				<u>454.32</u>

(Exchange rate EUR 1 : THB 46.2317 and US\$1: THB 39.8976)

The Company classified these shares as available-for-sale securities. Unrealised gain on changes in market value are presented under shareholders' equity.

3.3 Trade Account Receivables - Net

Trade account receivables are classified according to their stages of delinquency, as expressed in the schedule below.

	<u>Consolidated</u>		<u>Unit : Million Baht The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Period of overdue				
Not over 6 months	12,406.42	13,086.01	12,356.65	13,085.37
Over : 6 months to 1 year	103.94	188.29	102.94	186.54
Over : 1 year to 2 years	115.68	86.14	113.74	84.14
Over : 2 years	<u>1,106.32</u>	<u>1,186.44</u>	<u>1,104.34</u>	<u>1,186.08</u>
	13,732.36	14,546.88	13,677.67	14,542.13
<u>Less Allowance for doubtful accounts</u>	<u>(1,245.05)</u>	<u>(1,345.20)</u>	<u>(1,241.11)</u>	<u>(1,342.46)</u>
Trade account receivables - net	<u>12,487.31</u>	<u>13,201.68</u>	<u>12,436.56</u>	<u>13,199.67</u>

3.4 Inventories and Supplies - Net

Unit : Million Baht

	Consolidated		The Company	
	2003	2002	2003	2002
Aircraft spare parts	3,030.58	2,483.96	3,030.58	2,483.96
<u>Less</u> Provision for obsolescence (10% of the year-end balance)	(303.06)	(248.39)	(303.06)	(248.39)
Aircraft spare parts - Net	2,727.52	2,235.57	2,727.52	2,235.57
Vehicle spare parts and ground support equipment	159.81	162.59	159.81	162.59
Slow moving aircraft spare parts and spare parts of sale	2,113.47	2,062.01	2,113.47	2,062.01
<u>Less</u> Provision for obsolescence (33.33% of incurred balance during the year)	(1,863.90)	(1,664.67)	(1,863.90)	(1,664.67)
Slow moving aircraft spare parts and spare parts for sale - Net	249.57	397.34	249.57	397.34
Fuel and oil for aircraft	47.16	112.20	47.16	112.20
Goods for sale	173.66	159.13	173.66	159.13
Cabin supplies	98.70	111.69	98.70	111.69
Supplies and other consumables	30.20	30.04	30.20	30.04
Stationery and office supplies	79.25	75.49	79.25	75.49
Inventories and spare parts in transit	70.57	246.50	70.57	246.50
	499.54	735.05	499.54	735.05
Obsolete and damaged inventories for disposal	15.29	75.12	15.29	75.12
<u>Less</u> Provision for obsolescence (100%)	(15.29)	(75.12)	(15.29)	(75.12)
Obsolete and damaged inventories for disposal - Net	-	-	-	-
Total inventories and supplies - Net	3,636.44	3,530.55	3,636.44	3,530.55
Total inventories and supplies at year-end	5,818.69	5,518.73	5,818.69	5,518.73
<u>Less</u> Total provision for obsolete inventories and supplies	(2,182.25)	(1,988.18)	(2,182.25)	(1,988.18)
Total inventories and supplies - Net	3,636.44	3,530.55	3,636.44	3,530.55

3.5 Other Current Assets - Others

	Consolidated		Unit : Million Baht	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Billing from IATA subject to verification	-	503.86	-	503.86
Loans to employees	25.16	24.48	25.16	24.48
Subsidiary company receivables	-	-	13.73	75.56
Insurance receivables	48.04	-	48.04	-
Accrued income	178.80	496.20	148.66	292.18
Value added taxes	442.45	346.65	440.67	346.33
Other receivables	<u>332.92</u>	<u>273.70</u>	<u>330.94</u>	<u>273.36</u>
Total	<u>1,027.37</u>	<u>1,644.89</u>	<u>1,007.20</u>	<u>1,515.77</u>

3.6 Investments

Consolidated

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2003	2002	Cost method		Equity method		2003	2002
			2003	2002	2003	2002		
3.6.1 Investments using the equity method								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2003 amount of Baht 697.50 Million and the year 2002 amount of Baht 675.00 million)	24	24	225.00	225.00	279.57	291.05	29.25	39.31
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	192.14	212.91	56.03	52.53
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2003 amount of Baht 867.74 million and the year 2002 amount of Baht 602.81 million)	22.6	22.6	76.79	76.79	381.14	349.88	71.96	77.23
Phuket Air Catering Company Limited	30	30	30.00	30.00	28.82	20.46	8.36	2.02
Total investments using the equity method					881.67	874.30	165.60	171.09
3.6.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	3.9	4.0	25.60	26.18			-	-
SITA Investment Certificate	-	-	29.75	38.68			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
Other Shares			22.50	6.77			0.70	0.07
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			79.60	73.38			0.70	0.07

The Company

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Income on investments	
	2003	2002	Cost method		Equity method		2003	2002
			2003	2002	2003	2002		
3.6.1 Investments using the equity method								
Subsidiary Companies								
Thai Information Solution Company Limited (paid 25% of authorized share capital)	100	100	125.00	125.00	102.84	102.35	0.48	0.48
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	191.05	152.86	50.57	36.58
Total					293.89	255.21	51.05	37.06
Associated Companies								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2003 amount of Baht 697.50 million and the year 2002 amount of Baht 675.00 million)	24	24	225.00	225.00	279.57	291.05	29.25	39.31
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	192.14	212.91	56.03	52.53
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2003 amount of Baht 867.74 million and the year 2002 amount of Baht 602.81 million)	22.6	22.6	76.79	76.79	381.14	349.88	71.96	77.23
Phuket Air Catering Company Limited	30	30	30.00	30.00	28.82	20.46	8.36	2.02
Total					881.67	874.30	165.60	171.09
Total investments using the equity method					1,175.56	1,129.51	216.65	208.15
3.6.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	3.9	4.0	25.60	26.18			-	-
SITA Investment Certificate	-	-	29.75	38.68			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
Other Shares			22.50	6.77			0.70	0.07
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			79.60	73.38			0.70	0.07

The Company does not have any authority in the management or control of its associated companies except for voting rights and board representation according to the Company's share ownership of the associated company.

After Thai Information Solution Company Limited was established, it did not conduct any business. So, THAI's Board of directors passed a resolution No.1/2546 on January 29, 2003 to register the business disolution and submitted the letter of TG01/223 dated March 7, 2003 to the Permanent Secretary of Ministry of Transport for the approval. The Ministry of Transport has not yet approved this disolution.

The Company has subscribed for 30% of registered shares of Suvanabhumi Airport Hotel Company Limited which registered as a company limited on October 24, 2003. The Company paid 25% of the subscription amount of Baht 15.75 million.

3.7 Related Parties The Company

3.7.1 Major shareholders

	Unit : Million Baht	
	<u>2003</u>	<u>2002</u>
Ministry of Finance		
Guaranteed loans	3,732.07	6,528.14
Loans via the Ministry of Finance	35,064.04	53,398.07
Government Saving Bank		
Loans payable and promissory notes	4,550.00	5,200.00

3.7.2 Subsidiary companies

	Unit : Million Baht					
	<u>2003</u>			<u>2002</u>		
Name of Company	<u>Sales</u>	<u>Trade Account Receivables</u>	<u>Other Account Receivables</u>	<u>Sales</u>	<u>Trade Account Receivables</u>	<u>Other Account Receivables</u>
Thai-Amadeus Southeast Asia Company Limited	83.58	0.06	13.61	92.11	0.27	75.53
Thai Information Solution Company Limited	-	-	0.06	-	-	0.04
Total	<u>83.58</u>	<u>0.06</u>	<u>13.67</u>	<u>92.11</u>	<u>0.27</u>	<u>75.57</u>

The Company purchases goods and services from related parties on normal commercial terms.

3.8 Property, Plant and Equipment - Net

Consolidated

Unit : Million Baht

	Aircraft			Aircraft under capital leases	Aircraft spare parts	Land and buildings				Other Plant And equipment	Total
	Aircraft	Deferred Maintenance And Overhaul of aircraft	Total			Land and buildings	Buildings under leasehold	Building improvements	Total		
Cost											
As at September 30, 2002	103,964.02	4,664.38	108,628.40	58,626.75	23,190.11	3,396.65	3,965.43	2,567.51	9,929.59	18,337.98	218,712.83
- Adjust/Transfer	8,262.11	-	8,262.11	(8,127.23)	(269.39)	-	-	18.14	18.14	97.15	(19.22)
- Increased asset	5,529.06	1,091.54	6,620.60	13,849.89	1,601.87	-	-	47.08	47.08	1,046.53	23,165.97
- Sold	-	(660.47)	(660.47)	-	(1,189.59)	(0.54)	(0.43)	(30.29)	(31.26)	(261.09)	(2,142.41)
As at September 30, 2003	117,755.19	5,095.45	122,850.64	64,349.41	23,333.00	3,396.11	3,965.00	2,602.44	9,963.55	19,220.57	239,717.17
Accumulated depreciation											
As at September 30, 2002	51,400.30	2,098.58	53,498.88	15,554.70	14,804.27	1,447.24	3,015.44	2,235.50	6,698.18	13,989.29	104,545.32
- Depreciation	4,030.91	818.13	4,849.04	2,712.41	1,812.35	106.99	175.63	164.25	446.87	1,125.65	10,946.32
- Adjust/Transfer	5,735.69	-	5,735.69	(5,735.69)	(224.58)	-	-	1.38	1.38	0.11	(223.09)
- Sold	-	(660.47)	(660.47)	-	(893.50)	(0.30)	(0.42)	(30.16)	(30.88)	(260.51)	(1,845.36)
As at September 30, 2003	61,166.90	2,256.24	63,423.14	12,531.42	15,498.54	1,553.93	3,190.65	2,370.97	7,115.55	14,854.54	113,423.19
Net book value											
As at September 30, 2002	52,563.72	2,565.80	55,129.52	43,072.05	8,385.84	1,949.41	949.99	332.01	3,231.41	4,348.69	114,167.51
As at September 30, 2003	56,588.29	2,839.21	59,427.50	51,817.99	7,834.46	1,842.18	774.35	231.47	2,848.00	4,366.03	126,293.98

The Company

Unit : Million Baht

	Aircraft			Aircraft under capital leases	Aircraft spare parts	Land and buildings				Other Plant And equipment	Total
	Aircraft	Deferred Maintenance And Overhaul of aircraft	Total			Land and buildings	Buildings under leasehold	Building improvements	Total		
Cost											
As at September 30, 2002	103,964.02	4,664.38	108,628.40	58,626.7	23,190.11	3,396.65	3,965.43	2,567.51	9,929.59	18,243.94	218,618.79
- Adjust/Transfer	8,262.11	-	8,262.11	(8,127.23)	(269.39)	-	-	18.14	18.14	97.32	(19.05)
- Increased asset	5,529.06	1,091.54	6,620.60	13,849.8	1,601.87	-	-	47.08	47.08	1,001.27	23,120.71
- Sold	-	(660.47)	(660.47)	-	(1,189.59)	(0.54)	(0.43)	(30.29)	(31.26)	(261.09)	(2,142.41)
As at September 30, 2003	117,755.19	5,095.45	122,850.64	64,349.4	23,333.00	3,396.11	3,965.00	2,602.44	9,963.55	19,081.44	239,578.04
Accumulated depreciation											
As at September 30, 2002	51,400.30	2,098.58	53,498.88	15,554.7	14,804.27	1,447.24	3,015.44	2,235.50	6,698.18	13,965.69	104,521.72
- Depreciation	4,030.91	818.13	4,849.04	2,712.4	1,812.35	106.99	175.63	164.25	446.87	1,101.10	10,921.77
- Adjust/Transfer	5,735.69	-	5,735.69	(5,735.69)	(224.58)	-	-	1.38	1.38	0.11	(223.09)
- Sold	-	(660.47)	(660.47)	-	(893.50)	(0.30)	(0.42)	(30.16)	(30.88)	(260.51)	(1,845.36)
As at September 30, 2003	61,166.90	2,256.24	63,423.14	12,531.4	15,498.54	1,553.93	3,190.65	2,370.97	7,115.55	14,806.39	113,375.04
Net book value											
As at September 30, 2002	52,563.72	2,565.80	55,129.52	43,072.0	8,385.84	1,949.41	949.99	332.01	3,231.41	4,278.25	114,097.07
As at September 30, 2003	56,588.29	2,839.21	59,427.50	51,817.9	7,834.46	1,842.18	774.35	231.47	2,848.00	4,275.05	126,203.00

	Unit : Million Baht	
	<u>2003</u>	<u>2002</u>
Aircraft consist of :		
Advance payment for aircraft	5,106.10	-
Aircraft	<u>51,482.19</u>	<u>52,563.72</u>
Total	<u>56,588.29</u>	<u>52,563.72</u>
	Unit : Aircraft	
	<u>2003</u>	<u>2002</u>
Number of Aircraft		
Brought forward	45	41
Transferred from aircraft under capital lease	<u>4</u>	<u>4</u>
	<u>49</u>	<u>45</u>
Number of Aircraft under capital lease		
Brought forward	16	20
Received	2	-
Transferred to aircraft account	<u>(4)</u>	<u>(4)</u>
	<u>14</u>	<u>16</u>

Aircraft spare parts consist of aircraft engines manufactured by General Electric, Pratt and Whitney, Rolls-Royce and CFM International, and other aircraft spare parts.

The Company uses buildings and equipment purchased for Baht 26,056.98 million that are now fully depreciated.

3.9 Loan for Investment in Aircraft Spare Parts

The Company has entered into a technical contract with a loan component in the amount of US\$2.80 million to SR TECHNICS for the maintenance of the Company's MD-11 aircraft. The Company receives interest on this loan at a rate of 6.50% per annum. The loan balance as at September 30, 2003 and 2002 amounted US\$0.56 million or approximately Baht 22.18 million (exchange rate US\$1 : THB 39.8976) and US\$0.63 million or approximately Baht 27.45 million (exchange rate US\$1 : THB 43.2960), respectively.

3.10 Deferred Income Tax

Temporary differences between net book value and the corresponding tax base are as follows :

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Contribution to staff pension funds	919.05	856.30	919.05	856.30
Allowance for obsolete inventories	654.68	596.45	654.68	596.45
Allowance for doubtful debts	454.84	484.88	453.66	484.06
Allowance for impairment in value of securities	39.90	39.90	39.90	39.90
Deposits	3.82	3.11	-	-
Estimated accrual expenses	527.31	480.65	527.31	480.65
Tax exemption from loss on foreign currency exchange	<u>2,902.33</u>	<u>4,190.51</u>	<u>2,902.33</u>	<u>4,190.51</u>
Total	<u>5,501.93</u>	<u>6,651.80</u>	<u>5,496.93</u>	<u>6,647.87</u>

3.11 Other Current Liabilities - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Airport fees	2,709.85	2,339.36	2,709.85	2,339.36
Deferred income	336.10	356.74	335.37	356.74
Taxes payable	298.74	182.40	291.66	182.28
Fringe benefits-field office staff	429.08	411.19	429.08	411.19
Other account payables	<u>380.56</u>	<u>442.59</u>	<u>362.52</u>	<u>418.27</u>
Total	<u>4,154.33</u>	<u>3,732.28</u>	<u>4,128.48</u>	<u>3,707.84</u>

3.12 Short-term Loans

The Company borrowed short-term loans from the Ministry of Finance in the form of European Commercial Paper (ECP) to repay the Samurai Bond amount of US\$100 million or approximately Baht 4,009.64 million (exchange rate US\$1 : THB 40.0964) at interest rate of 1.31% per annum.

3.13 Long-term Loans

	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	JPY	23,000,000,000	23,000,000,000	8,341.36
US\$	633,351,347	877,725,128	25,395.11	38,166.12
THB	1,050,000,000	1,350,000,000	<u>1,050.00</u>	<u>1,350.00</u>
Total Long-term loans			34,786.47	47,750.97
<u>Less</u> Current portion of long-term loans			<u>5,295.76</u>	<u>10,926.10</u>
Net Long-term loans			<u>29,490.71</u>	<u>36,824.87</u>

The Company has entered into long-term loans to purchase 17 aircraft. In fiscal year 2003, the total of such loans amounted to Baht 34,786.47 million, consisting of Baht 2,682.07 million from foreign financial institutions at interest rates ranging from 1.06% to 1.30% per annum and Baht 32,104.40 million from domestic financial institutions at interest rates ranging from 0.80% to 8.80% per annum.

3.14 Liabilities Under Capital Leases

	<u>Loan Currency</u>		<u>Baht Equivalent (Million)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
JPY	62,183,350,434	43,059,088,768	22,551.91	15,416.74
US\$	511,615,474	636,672,909	20,513.94	27,684.45
EUR	2,224,718	8,195,352	<u>104.06</u>	<u>351.58</u>
Total Capital lease			43,169.91	43,452.77
<u>Less</u> Current portion of capital lease			<u>7,877.87</u>	<u>8,651.93</u>
Net Liabilities under capital leases			<u>35,292.04</u>	<u>34,800.84</u>

For certain of its aircraft, the Company has capital leases with buyout options. The Company had capital leases with 7 foreign financial institutions. The accounting policy for recording aircraft under capital leases is described in Note 2.6. In fiscal year 2003, the Company had outstanding obligations totalling Baht 47,666.10 million under capital leases for 14 aircraft with maturities ranging from 2003 to 2013. After deducting interest due (Baht 4,496.19 million), the principal balance of obligations under the Company's capital leases was Baht 43,169.91 million.

3.15 Promissory Notes

The Company has borrowed from the Government Saving Bank and THAI Employees' Saving & Credit Coops Ltd. by issuing promissory notes with a floating interest rate computed by using the interest rate on six-month fixed deposits at the Government Saving Bank plus 2.90% to 3.00% per annum. Such issuances financed the purchase of aircraft B747-400 No.14 and aircraft A330-300 No.12. In this fiscal year, the brought forward balance was Baht 8,400.00 million and the amount of Baht 1,050.00 million was repaid, leaving a balance of Baht 7,350.00 million (from the Government Saving Bank, Baht 4,550.00 million, and from THAI Employees' Saving & Credit Coops Ltd., Baht 2,800.00 million). As at September 30, 2003, these promissory notes were transferred to current portion of long-term loans in the amount of Baht 1,050.00 million, leaving the long-term liabilities balance at Baht 6,300.00 million.

3.16 Share Capital

On December 13, 2000, the Company registered to increase its share capital by 300 million shares at Baht 10 per share for an aggregate of Baht 3,000.00 million in connection with its proposed public offering according to the Resolution of Extraordinary Shares' Meeting No.1/2545 held on August 30, 2002, after which the total value of the Company's authorised share capital was Baht 17,000.00 million. On September 16, 2003, the Cabinet passed a resolution to approve the Company's increase in share capital and the offering to retail investors of 285 million shares and 15 million shares to its staff.

3.17 Legal Reserve

At the end of fiscal year 2002, the Company's legal reserve balance was Baht 1,541.88 million. In this fiscal year, the Company provided a legal reserve in the amount of Baht 158.12 million. A total balance at the year-end was Baht 1,700.00 million.

3.18 Accrued Dividends

In this fiscal year, the Company paid dividends for the year 2002 amount of Baht 1.50 per share for an aggregate of Baht 2,100.00 million, amount of Baht 1,668.66 million to the Ministry of Finance and Baht 281.40 million to Government Saving Bank. The Ministry of Finance and Government Saving Bank hold 79.46% and 13.40% of shares, respectively.

As at September 30, 2003 and 2002, dividends accrued by the Company amounted to Baht 34.16 million and Baht 26.87 million, respectively, consisting of dividends for which certain shareholders had not yet cashed their checks and dividends of certain shareholders whom the registrar cannot contact.

3.19 Passenger Revenues and Flight Operation Expenses

	Unit : Million Baht	
	<u>2003</u>	<u>2002</u>
Passenger revenues	101,373.87	101,151.59
Insurance surcharge from passengers	4,042.12	-
Excess baggage	542.49	557.65
Charter flight	450.26	486.73
Total	<u>106,408.74</u>	<u>102,195.97</u>
Flight operation expenses	32,174.12	25,994.87

After the September 11, 2001 terrorist attacks, the Company began collecting an insurance surcharge from passengers. Due to an uncertainty of insurance payment liability, the Company recorded this insurance in unearned revenues. In this fiscal year, the Company can reasonably estimate this insurance. Therefore, it was transferred from unearned revenues to revenues of Baht 4,042.12 million. The Company paid this insurance surcharge expense recorded in flight operation expenses of Baht 2,020.55 million.

3.20 Segment Information

3.20.1 Business segments

Unit : Million Baht

	<u>Revenues</u>		<u>Inter -Segment Revenues</u>		<u>Total Revenues</u>		<u>Segment Result</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Air transportation	128,650.96	122,905.50	-	-	128,650.96	122,905.50	14,793.81	16,113.05
Technical services	1,076.68	953.47	5,292.21	4,645.28	6,368.89	5,598.75	1,302.08	807.51
Customer services	791.77	919.40	1,206.11	1,206.51	1,997.88	2,125.91	65.40	157.10
Ground support equipment services	934.87	1,003.07	916.42	798.22	1,851.29	1,801.29	157.12	140.32
Cargo services	1,090.45	1,098.75	288.39	183.86	1,378.84	1,282.61	217.80	176.42
Catering	1,417.74	1,643.59	3,121.97	3,164.84	4,539.71	4,808.43	950.75	1,123.33
Collective sale agents	316.02	279.63	-	-	316.02	279.63	129.79	106.19
Other activities	257.79	212.08	283.02	284.78	540.81	496.86	97.41	64.47
Eliminations	-	-	(11,108.11)	(10,283.49)	-	-	-	-
Operating profit							17,714.16	18,688.39
Share of net profit from subsidiaries and associated companies							165.60	171.09
Interest expenses-net							(4,058.00)	(5,456.71)
Gain on foreign currency exchange							4,159.84	2,410.30
Other expenses							(176.59)	(1,397.11)
Minority interests							(41.38)	(29.92)
Income taxes							(5,310.13)	(4,204.12)
Net profit							12,453.50	10,181.92

Unit : Million Baht

	<u>Net Fixed Assets</u>		<u>Other Assets</u>		<u>Total Assets</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Air transportation	123,814.76	106,587.42	38,113.89	-	162,928.65	106,587.42
Technical services	1,445.83	-	15.41	-	1,461.24	-
Customer services	49.31	-	8.63	-	57.94	-
Ground support equipment services	136.93	-	168.65	-	305.58	-
Cargo services	100.11	-	31.80	-	131.91	-
Catering	656.06	-	163.71	-	819.77	-
Collective sale agents	90.98	70.44	340.54	336.51	431.52	406.95
Unallocated corporate assets	-	7,509.65	1,841.80	63,906.22	1,841.80	71,415.87
Total	126,293.98	114,167.51	41,684.43	64,242.73	167,978.41	178,410.24

Operating profit of each activity derive from total revenues net of operating expenses of each activity excluding interest expenses, gains(losses) on foreign currency exchange, other expenses, and income taxes.

Fixed and other assets of each activity are related to those activities

For fiscal year 2002, the Company did not separate the assets relating to each activity except aircraft, aircraft under capital lease, and aircraft spare parts.

3.20.2 Geographical segments

	Unit : Million Baht	
	<u>2003</u>	<u>2002</u>
Domestic Revenues		
Transportation	11,441.79	12,216.50
Business units	5,311.52	5,618.28
Other activities	<u>573.81</u>	<u>491.71</u>
Total domestic revenues	<u>17,327.12</u>	<u>18,326.49</u>
Foreign Transportation Revenues		
Regional Asia	59,500.71	61,017.36
Europe	36,997.03	34,447.18
North Pacific	4,652.42	4,884.85
Australia & New Zealand	<u>10,975.57</u>	<u>9,312.79</u>
Total foreign transportation revenues	<u>112,125.73</u>	<u>109,662.18</u>
Charter revenues and others	1,041.31	1,026.82
Insurance surcharge from passengers	<u>4,042.12</u>	<u>-</u>
Total	<u>134,536.28</u>	<u>129,015.49</u>

3.21 Other Incomes - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Compensation revenue from insurance companies (asset)	111.89	53.06	111.89	53.06
Gains on sales of assets	17.72	68.25	17.72	68.25
Revenue from current investments	0.70	0.07	0.70	0.07
Revenue from current investment warrants	102.30	15.62	102.30	15.62
Other income	<u>227.82</u>	<u>37.87</u>	<u>225.10</u>	<u>37.28</u>
Total	<u>460.43</u>	<u>174.87</u>	<u>457.71</u>	<u>174.28</u>

3.22 Other Expenses - Others

	Unit : Million Baht			
	<u>Consolidated</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Bad and doubtful debts	39.96	551.84	39.96	551.84
Credit card fees	264.08	242.46	264.08	242.46
Compensation to customers for Damages	102.13	89.98	102.13	89.98
Compensation for early retired staff	-	518.34	-	518.34
Obligations under staff pension fund	112.38	95.12	112.38	95.12
Other expenses	<u>80.98</u>	<u>26.95</u>	<u>79.75</u>	<u>25.22</u>
Total	<u>599.53</u>	<u>1,524.69</u>	<u>598.30</u>	<u>1,522.96</u>

3.23 Staff Pension Fund

The Company has established a staff pension fund, contributing 10% of employee salaries to the fund each month. The fund's assets and liabilities are presented in the Company's balance sheet. Interest and expenses arising from fund operations are recognised as income and expenses of the Company. The details are as follows:

	Unit : Million Baht	
	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	360.88	2,714.53
Fixed deposits due over 3 months	3,266.97	632.21
Non-current assets	0.01	0.03
Other current assets	<u>7.43</u>	<u>22.27</u>
	<u>3,635.29</u>	<u>3,369.04</u>
Other current liabilities	18.37	11.43
Pension fund	<u>3,729.30</u>	<u>3,452.73</u>
	<u>3,747.67</u>	<u>3,464.16</u>

As at September 30, 2003, the fund balance was Baht 3,729.30 million, equal to the Company's obligation to its staff under the fund. The total Company contribution to the fund in fiscal year 2003 was Baht 331.77 million, consisting of contributions at a rate equivalent to 10% of employee salaries in the amount of Baht 219.39 million, and additional amounts to match the Company's obligation of Baht 112.38 million.

3.24 Staff Provident Fund

The Company contributes to the provident fund at the rate of 9% for members having not more than 20 years of services and 10% for members having more than 20 years of services, representing amounts of Baht 652.84 million in fiscal year 2003.

3.25 Contingent Liabilities

The Company has the following contingent :

	Unit : Million Baht	
	<u>The Company</u>	
	<u>2003</u>	<u>2002</u>
The Company as defendant in		
Labour dispute cases	395.32	37.42
Damage claims cases	<u>532.43</u>	<u>447.81</u>
Total	<u>927.75</u>	<u>485.23</u>

3.26 Lease obligations

The Company has entered into operating leases with foreign companies for 18 aircraft with lease terms of 10-11 years. The Company's aggregate repayment obligations under the terms of these operating leases amounted to US\$1,003.36 million or approximately Baht 40,231.15 million (exchange rate US\$1 : THB 40.0964).

3.27 Disclosure of Financial Instruments

3.27.1 Interest rate risk

Interest rate risk in financial statements arises from changes in market interest rates which have an effect on the Company's operating results.

The following tables show weighted average interest rates and the amount of financial liabilities.

Unit : Million Baht

2003

Financial Liabilities	Weighted Average Interest Rate	Floating Interest Rates		Fixed Interest Rates		Total
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
US\$	5.46	2,498.89	7,450.78	11,177.33	28,791.69	49,918.69
JPY	0.92	1,932.03	16,711.18	1,170.95	11,079.11	30,893.27
EUR	6.46	-	-	104.06	-	104.06
THB	4.91	1,050.00	6,300.00	300.00	750.00	8,400.00

Unit : Million Baht

2002

Financial Liabilities	Weighted Average Interest Rate	Floating Interest Rates		Fixed Interest Rates		Total
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
US\$	5.45	14,840.61	10,790.04	13,398.60	38,996.56	78,025.81
JPY	1.08	922.91	8,600.27	2,035.15	12,093.27	23,651.60
EUR	5.97	-	-	256.01	95.57	351.58
THB	5.49	1,050.00	7,350.00	300.00	1,050.00	9,750.00

3.27.2 Exchange Rate Risk

Fluctuations in exchange rates affect on long-term liabilities and operating expenses denominated in foreign currencies. The hedging policy of the Company is to hold foreign currencies received from foreign currency revenues in proportion to foreign currency expenses. In addition, the Company holds surplus cash in major foreign currencies which are stable and used in the Company's operations in order to reduce foreign exchange risk.

Unit : Million Baht

Foreign Currency Liabilities

	2003		2002	
	Maturity within 1 year	Maturity over 1 year	Maturity within 1 year	Maturity over 1 year
US\$	13,676.22	36,242.47	28,239.21	49,786.60
JPY	3,102.98	27,790.29	2,958.06	20,693.54
EUR	104.06	-	256.01	95.57

3.27.3 Fuel Price Risk

Fuel price fluctuations depend on the supply and demand of fuel in the world market and the global political situation and have a direct effect on the Company's operations. To hedge the expense/lost from fuel price fluctuation, the Company matches foreign fuel supplies with the Company's fuel demands and always monitors the change in fuel price.

3.27.4 Fair Value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing, independent parties with the freedom to bargain.

The following table presents year-end financial statement balances and an estimate of the fair value of financial assets and liabilities as at September 30, 2003 and 2002.

	Unit : Million Baht			
	<u>September 30, 2003</u>		<u>September 30, 2002</u>	
	<u>Balance</u>	<u>Fair Value</u>	<u>Balance</u>	<u>Fair Value</u>
Financial Assets				
Cash and bank balances	8,852.15	8,852.15	19,889.25	19,889.25
Fixed deposits due over 3 months	3,266.97	3,266.97	632.21	632.21
Current investments	464.70	464.70	149.66	149.66
Other investments	1,255.16	2,159.69	1,202.89	1,858.97
Trade account receivables	12,436.56	12,436.56	13,199.67	13,199.67
Financial Liabilities				
Trade account payables	4,647.35	4,647.35	3,869.34	3,869.34
Loans	89,316.02	89,316.02	111,778.99	111,778.99
Accrued expenses	12,654.58	12,654.58	12,803.67	12,803.67

The methods and assumptions that the Company uses to estimate the fair value of assets and liabilities are as follows:

Cash and bank balances, fixed deposits due over 3 months, account payables, loans, and accrued expenses are stated at balance sheet amounts.

Current investments are stated at market value.

Other investments are stated at book value net of impairment. Investments in marketable equity securities are stated at market value.

Trade account receivables are stated at book value net of allowances for doubtful accounts.

3.28 Events After the Balance Sheet Date

The Company issued two tranches of debenture bonds with a total value of Baht 10.00 billion according to the Resolution of Extraordinary Shareholders' Meeting No. 1/2546 held on September 2, 2003. The first tranche amount of Baht 5,500.00 millions was offered to the institutional investors with 5 - year maturities and fixed coupons rate at 3.00% per annum. The second tranche amount of Baht 4,500.00 million was offered to both institutional investors and retail investors with 7 - year maturities and fixed coupons rate at 3.70% per annum. Investors subscribed via KASIKORN BANK Plc. during October 1-7, 2003. The subscribed money has been transferred to the Company's account on October 9, 2003. Also, the Company has registered these debentures with the Thai Bond Dealing Centre (THAI DBC) and will subscribe in the bond market exchange of the Stock Exchange of Thailand later.

THAI's Board of Directors passed a resolution No.12/2546 dated October 29, 2003 to pay an interim dividend for the half-year 2002/03 operation to shareholders at Baht 1.00 per share on November 28, 2003.

3.29 Reclassification of Items in Financial Statements

In fiscal year 2002, the Company reclassified the item "Surcharge for war liabilities (insurance surcharge)" amount of Baht 1,289.23 million in the balance sheet, previously included in "Others" under the heading of "Other current liabilities", as unearned revenues according to Note 3.11. Items in cash flows for fiscal year 2002 have been reclassified accordingly.
