



(OFFICIAL 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, 2002 and 2001, the related consolidated and the Company statements of income, changes in shareholders' equity, retained earnings and cash flows for each of the two years in the period ended September 30, 2002, 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, 2002 and 2001, 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 two 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 unqualified opinion on the financial statements, the Office of the Auditor General draws attention to Note 3.1 to the financial statements regarding the change in accounting policy for the recording of deferred income tax.

(Signed) *Jaruvan Maintaka*
(Jaruvan Maintaka)
Auditor General

(Signed) *Pensri Soranaraks*
(Pensri Soranaraks)
Auditor-in-charge

สำนักงานการตรวจเงินแผ่นดิน

Office of the Auditor General

November 22, 2002

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT SEPTEMBER 30, 2002 AND 2001

Unit : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2002	2001 (restated)	2002	2001 (restated)
ASSETS					
Current Assets					
Cash and cash equivalents	3.3	20,117,223,571	8,027,726,204	19,889,254,758	7,774,017,477
Fixed deposits due over 3 months		632,206,185	1,385,617,333	632,206,185	1,385,617,333
Current investments	3.4	149,655,337	-	149,655,337	-
Trade account receivables-net	3.5	13,201,683,343	11,190,298,414	13,199,668,913	11,186,729,314
Inventories and supplies-net	3.6	3,530,547,721	3,609,692,877	3,530,547,721	3,609,692,877
Other current assets					
Prepaid expenses and deposits		4,107,639,784	4,476,201,302	4,107,311,092	4,476,052,327
Tax refund		-	2,907,488,858	-	2,907,488,858
Others	3.7	1,644,888,781	3,682,456,534	1,515,774,884	3,609,868,605
Total Current Assets		43,383,844,722	35,279,481,522	43,024,418,890	34,949,466,791
Non-Current Assets					
Investments for using the equity method	3.8.1	874,298,101	884,320,360	1,129,506,110	1,110,720,094
Other long-term investments	3.8.2	73,381,486	94,493,996	73,381,486	94,493,996
Loan for investment in aircraft spare parts	3.12	27,449,664	28,103,698	27,449,664	28,103,698
Property, Plant and Equipment-Net	3.10				
Aircraft		55,129,520,462	55,557,060,836	55,129,520,462	55,557,060,836
Aircraft under capital leases		43,072,054,106	47,825,588,554	43,072,054,106	47,825,588,554
Aircraft spare parts		8,385,842,592	9,089,701,633	8,385,842,592	9,089,701,633
Land, buildings and improvements		3,231,407,314	3,659,675,560	3,231,407,314	3,659,675,560
Other plant and equipment		4,348,688,751	4,457,727,654	4,278,249,391	4,413,116,222
Other Non -Current Assets					
Advance payments for aircraft	3.11	12,971,766,099	12,971,766,099	12,971,766,099	12,971,766,099
Concessions for acquisitions of aircraft and engines		260,183,634	1,251,033,880	260,183,633	1,251,033,880
Deferred income taxes	3.13	6,651,807,517	7,163,189,133	6,647,873,767	7,162,966,989
Total Non-Current Assets		135,026,399,726	142,982,661,403	135,207,234,624	143,164,227,561
Total Assets		178,410,244,448	178,262,142,925	178,231,653,514	178,113,694,352

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, 2002 AND 2001

		Unit : Baht			
		<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
<u>Notes</u>	<u>2002</u>	<u>2001</u> (restated)	<u>2002</u>	<u>2001</u> (restated)	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade account payables		3,872,767,705	3,083,368,233	3,869,340,849	3,080,267,887
Short-term loans	3.15	12,175,240,000	9,715,526,000	12,175,240,000	9,715,526,000
Current portion of long-term loans					
Long-term loans	3.16	10,926,105,121	9,794,163,223	10,926,105,121	9,794,163,223
Liabilities under capital leases	3.17	8,651,931,490	9,926,812,287	8,651,931,490	9,926,812,287
Promissory notes	3.18	1,050,000,000	1,050,000,000	1,050,000,000	1,050,000,000
Other current liabilities					
Accrued expenses		11,002,519,650	12,108,601,272	10,998,785,010	12,104,891,982
Accrued dividends	3.21	26,870,757	26,946,237	26,870,757	26,919,987
Accrued income taxes		1,799,939,805	41,762,406	1,778,010,536	12,154,165
Unearned transportation revenues		12,724,493,234	12,804,989,534	12,724,493,234	12,804,989,534
Others	3.14	5,021,512,368	3,778,169,890	4,997,078,782	3,768,056,407
Total Current Liabilities		67,251,380,130	62,330,339,082	67,197,855,779	62,283,781,472
Non-Current Liabilities					
Long-term debts					
Long-term loans	3.16	36,824,867,614	40,907,334,866	36,824,867,614	40,907,334,866
Liabilities under capital leases	3.17	34,800,841,704	44,821,622,603	34,800,841,704	44,821,622,603
Promissory notes	3.18	7,350,000,000	8,400,000,000	7,350,000,000	8,400,000,000
Staff pension fund	3.26	3,452,719,890	3,406,832,613	3,452,719,890	3,406,832,613
Others		376,367,715	385,436,098	376,367,715	385,436,098
Total Non-Current Liabilities		82,804,796,923	97,921,226,180	82,804,796,923	97,921,226,180
Total Liabilities		150,056,177,053	160,251,565,262	150,002,652,702	160,205,007,652
Shareholders' Equity					
Share capital					
Authorized					
1,700 million ordinary shares par value of Baht 10 each	3.19	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 paid-up		14,000,000,000	14,000,000,000	14,000,000,000	14,000,000,000
Premium on common stocks		4,750,000,000	4,750,000,000	4,750,000,000	4,750,000,000
Unrealised gain on change in market valuation		138,398,377	-	138,398,377	-
Retained Earnings (Deficit)					
Appropriated					
Legal reserve	3.20	1,541,881,364	1,032,785,577	1,541,881,364	1,032,785,577
Unappropriated		7,798,721,071	(1,874,098,877)	7,798,721,071	(1,874,098,877)
Total The Company Shareholders' Equity		28,229,000,812	17,908,686,700	28,229,000,812	17,908,686,700
Minority interest		125,066,583	101,890,963	-	-
Total Shareholders' Equity		28,354,067,395	18,010,577,663	28,229,000,812	17,908,686,700
Total Liabilities and Shareholders' Equity		178,410,244,448	178,262,142,925	178,231,653,514	178,113,694,352

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

(Signed) *Kanok Abhiradee*
(Kanok Abhiradee)
President

(Signed) *Kaweepan Raungpaka*
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

For the years ended September 30, 2002 and 2001

Unit : Baht

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues from the Sale of Goods and the Rendering of Services				
Passenger and excess baggage	102,195,967,287	101,296,895,738	102,195,967,287	101,296,895,738
Freight	19,981,396,153	20,464,218,143	19,981,396,153	20,464,218,143
Mail	728,138,288	656,119,505	728,138,288	656,119,505
Other activities	6,109,991,638	6,755,225,009	5,830,358,434	6,448,643,127
Total Revenues from the Sale of Goods and the Rendering of Services	129,015,493,366	129,172,458,395	128,735,860,162	128,865,876,513
Selling and Administrative Expenses				
Flight operations	25,994,872,814	29,583,436,014	25,994,872,814	29,583,436,014
Maintenance and overhaul	15,998,385,088	13,894,105,552	15,998,385,088	13,894,105,552
Ground operations	19,651,957,611	18,533,697,927	19,651,957,611	18,533,697,927
Passenger services	14,968,007,913	14,996,446,015	14,968,007,913	14,996,446,015
Marketing	10,831,601,999	14,272,894,055	10,831,601,999	14,272,894,055
Administration and general	1,711,463,710	1,736,931,273	1,711,463,710	1,736,931,273
Remuneration to board of directors	4,568,842	4,108,308	3,389,542	3,242,840
Lease of aircraft and spare parts	8,426,485,181	11,646,261,090	8,426,485,181	11,646,261,090
Depreciation of aircraft	8,692,541,076	8,069,101,561	8,692,541,076	8,069,101,561
Depreciation of other fixed assets	1,686,585,669	1,700,840,852	1,671,117,843	1,693,142,058
Other activities	2,360,629,983	2,508,118,824	2,203,808,740	2,374,670,057
Total Selling and Administrative Expenses	110,327,099,886	116,945,941,471	110,153,631,517	116,803,928,442
Profit from the Sale of Goods and the Rendering of Services Brought Forward	18,688,393,480	12,226,516,924	18,582,228,645	12,061,948,071

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, 2002 and 2001

Unit : Baht

	Notes	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
Profit from the Sale of Goods and the Rendering of Services Carried Forward		18,688,393,480	12,226,516,924	18,582,228,645	12,061,948,071
Other Incomes					
Interest income		319,541,870	445,728,138	318,635,124	443,432,011
Others	3.23	174,868,159	805,151,889	174,281,702	803,789,581
Total Other Incomes		494,410,029	1,250,880,027	492,916,826	1,247,221,592
Other Expenses					
Losses (Gains) on foreign currency exchange		(2,410,303,960)	3,910,388,805	(2,410,303,960)	3,913,009,638
Yields from pension fund		47,284,715	66,170,406	47,284,715	66,170,406
Others	3.24	1,524,690,023	825,423,658	1,522,963,164	824,682,583
Total Other Expenses		(838,329,222)	4,801,982,869	(840,056,081)	4,803,862,627
Profit from Operations		20,021,132,731	8,675,414,082	19,915,201,552	8,505,307,036
Share of Profits from Investments for Using the Equity Method					
Share of net profit from subsidiary companies		-	-	37,058,276	65,517,696
Share of net profit from associated companies		171,088,604	152,242,629	171,088,604	152,242,629
Total Share of Profits from Investments for Using the Equity Method		171,088,604	152,242,629	208,146,880	217,760,325
Profit before Interest and Income Tax Expenses		20,192,221,335	8,827,656,711	20,123,348,432	8,723,067,361
Interest expenses		5,776,258,294	7,598,726,493	5,776,258,294	7,598,713,065
Income tax expenses		4,204,121,686	884,717,727	4,165,174,403	832,186,043
Profit after Tax		10,211,841,355	344,212,491	10,181,915,735	292,168,253
Net profit of minority interest		29,925,620	52,044,238	-	-
Profit from Ordinary Activities		10,181,915,735	292,168,253	10,181,915,735	292,168,253
Extraordinary items-Net					
Gain from the insurance for exploded and caught fire aircraft		-	1,636,352,566	-	1,636,352,566
Net profit		10,181,915,735	1,928,520,819	10,181,915,735	1,928,520,819
Primary earnings per share	2.8				
Profit from ordinary activities		7.27	0.21	7.27	0.21
Extraordinary items-Net		-	1.17	-	1.17
Net profit		7.27	1.38	7.27	1.38

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

(Signed) *Kanok Abhiradee*
(Kanok Abhiradee)
President

(Signed) *Kaweepan Raungpaka*
(Kaweepan Raungpaka)
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, 2002 and 2001

Unit : Baht

		CONSOLIDATED						
<u>Notes</u>	<u>Share Capital</u>	<u>Premium</u>	<u>Retained Earnings</u>	<u>Unrealised</u>	<u>Legal</u>	<u>Minority</u>	<u>Total</u>	
	<u>issued and</u>	<u>on share</u>	<u>(Deficit)</u>	<u>Gain</u>	<u>Reserve</u>	<u>Interest</u>		
	<u>fully paid</u>	<u>capital</u>	<u>(restated)</u>					
Balance at the beginning of the year 2001	14,000,000,000	4,750,000,000	(10,236,339,808)	-	1,032,785,577	55,068,216	9,601,513,985	
- Adjustment of recording of exemption tax from losses on foreign currency	3.1	-	6,434,326,933	-	-	-	6,434,326,933	
- Adjustment of subsidiary companies' retained earnings		-	(606,821)	-	-	-	(606,821)	
- Cumulative effect of change in accounting policy with regard to staff welfare fees		-	-	-	-	(496,491)	(496,491)	
Balance at the beginning - after adjustment	14,000,000,000	4,750,000,000	(3,802,619,696)	-	1,032,785,577	54,571,725	16,034,737,606	
<u>Add</u> Net Profit	-	-	1,928,520,819	-	-	52,044,238	1,980,565,057	
<u>Less</u> Dividends paid	-	-	-	-	-	(4,725,000)	(4,725,000)	
At the end of the year 2001	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	
Unrealised items in income statements	14,000,000,000	4,750,000,000	(1,874,098,877)	138,398,377	1,032,785,577	101,890,963	18,148,976,040	
<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	3.20	-	(509,095,787)	-	509,095,787	-	-	
Balance 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	

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

(Signed) *Kanok Abhiradee*
(Kanok Abhiradee)
President

(Signed) *Kaweepan Raungpaka*
(Kaweepan Raungpaka)
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, 2002 and 2001

Unit : Baht

		THE COMPANY					
<u>Notes</u>	Share Capital	Premium	Retained Earnings	Unrealised	Legal	Total	
	issued and	on share	(Deficit)	Gain	Reserve		
	fully paid	capital	(restated)				
Balance at the beginning of the year 2001	14,000,000,000	4,750,000,000	(10,236,339,808)	-	1,032,785,577	9,546,445,769	
- Adjustment of recording of exemption tax from losses on foreign currency	3.1	-	-	6,434,326,933	-	6,434,326,933	
- Adjustment of subsidiary companies' retained earnings		-	-	(606,821)	-	(606,821)	
Balance at the beginning - after adjustment	14,000,000,000	4,750,000,000	(3,802,619,696)	-	1,032,785,577	15,980,165,881	
<u>Add</u> Net Profit	-	-	1,928,520,819	-	-	1,928,520,819	
At the end of the year 2001	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	
Unrealised items in income statements	14,000,000,000	4,750,000,000	(1,874,098,877)	138,398,377	1,032,785,577	18,047,085,077	
<u>Add</u> Net Profit	-	-	10,181,915,735	-	-	10,181,915,735	
<u>Less</u> Legal reserve	3.20	-	-	(509,095,787)	509,095,787	-	
Balance 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	

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

(Signed) *Kanok Abhiradee*
(Kanok Abhiradee)
President

(Signed) *Kaweepan Raungpaka*
(Kaweepan Raungpaka)
Executive Vice President
Finance and Accounting

THAI AIRWAYS INTERNATIONAL PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2002 and 2001

Unit : Baht

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities				
Net profit	10,181,915,735	1,928,520,819	10,181,915,735	1,928,520,819
Adjustment to reconcile net profit to cash provided by (paid from) operating activities :				
Depreciation	10,379,126,745	9,769,942,414	10,363,658,919	9,762,243,620
Incomes from investments for using the equity method	(171,088,604)	(152,242,629)	(208,146,880)	(217,760,325)
Losses on sales of assets	437,556,538	272,659,674	437,556,538	272,659,674
Losses (gains) on foreign currency exchange	(2,378,888,328)	3,512,088,215	(2,378,888,328)	3,513,192,993
Net profit of minority interest	29,925,620	52,044,238	-	-
Reserve for obsolete inventories	185,442,747	395,660,944	185,442,747	395,660,944
Allowance for doubtful accounts, impairment in value of assets	553,844,325	301,357,220	551,843,707	300,616,740
Operating profit before changes in operating assets and liabilities	19,217,834,778	16,080,030,895	19,133,382,438	15,955,134,465
Decrease (increase) in operating assets :				
Trade account receivables	(2,355,098,341)	525,886,852	(2,354,652,392)	529,477,687
Inventories and supplies	(106,297,591)	(515,165,565)	(106,297,591)	(515,165,565)
Prepaid expenses and deposits	321,687,301	(50,707,278)	321,861,921	(50,817,270)
Tax refund	2,785,459,667	1,871,305,579	2,785,459,667	1,871,325,180
Other current assets	1,871,713,191	(939,354,182)	1,928,298,709	(934,577,540)
Advance payments for aircraft	-	(12,971,766,099)	-	#####
Deferred income taxes	511,381,616	803,605,153	515,093,221	803,827,297
Concessions for acquisitions of aircraft and engines	646,782,388	(130,636,446)	646,782,388	(130,636,446)
Increase (decrease) in operating liabilities :				
Trade account payables	749,764,450	900,568,841	749,437,940	897,468,494
Accrued expenses and other current liabilities	1,954,736,880	(527,211,056)	1,948,015,947	(485,230,352)
Staff pension fund	45,887,277	235,808,633	45,887,277	235,808,633
Unearned transportation revenue	(80,496,300)	1,379,441,340	(80,496,300)	1,379,441,340
Net cash from operating activities	25,563,355,316	6,661,806,667	25,532,773,225	6,584,289,824

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, 2002 and 2001

Unit : Baht

	<u>CONSOLIDATED</u>		<u>THE COMPANY</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash flows from investing activities				
Increase in short-term investments	753,411,148	782,551,063	753,411,148	782,551,063
Cash paid for acquisition of fixed assets	(4,693,690,403)	(2,756,249,033)	(4,652,394,649)	(2,714,401,268)
Cash received from sales on assets	299,248,132	1,017,825,114	299,248,132	1,017,825,114
Investment	188,416,328	98,835,260	196,666,328	104,610,260
Cash received from loan for investing in aircraft spare parts	-	10,264,900	-	10,264,900
Net cash used in investing activities	(3,452,614,795)	(846,772,696)	(3,403,069,041)	(799,149,931)
Cash flows from financing activities				
Cash received from short-term loans	4,430,000,000	9,917,000,000	4,430,000,000	9,917,000,000
Cash received from long-term loans	8,210,310,000	-	8,210,310,000	-
Cash paid for repayment of short-term loans	(1,700,000,000)	-	(1,700,000,000)	-
Cash paid for repayment of long-term loans	(20,192,596,023)	(17,895,605,623)	(20,192,596,023)	(17,895,605,623)
Cash paid to promissory notes	(1,050,000,000)	(1,076,000,000)	(1,050,000,000)	(1,076,000,000)
Dividends paid	(6,825,480)	(4,843,110)	(49,230)	(144,360)
Net cash used in financing activities	(10,309,111,503)	(9,059,448,733)	(10,302,335,253)	(9,054,749,983)
Increase (decrease) in cash and cash equivalents	11,801,629,018	(3,244,414,762)	11,827,368,931	(3,269,610,090)
Effects of exchange rate changes on decreasing in cash and bank balance	287,868,350	(125,128,832)	287,868,350	(125,128,832)
Cash and cash equivalents at the beginning of the year	8,027,726,204	11,397,269,798	7,774,017,477	11,168,756,399
Cash and cash equivalents at the end of the year	20,117,223,572	8,027,726,204	19,889,254,758	7,774,017,477
Supplementary cash flows information :				
Cash paid during the year for				
Interest expenses	6,126,349,384	7,778,754,100	6,126,349,384	7,778,754,100
Corporate income tax	1,814,256,045	-	1,764,217,288	-
Non-cash transaction				
Assets under financial lease	-	10,740,278,424	-	10,740,278,424

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

(Signed) *Kanok Abhiradee*
(Kanok Abhiradee)
President

(Signed) *Kaweepan Raungpaka*
(Kaweepan Raungpaka)
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, 2002 and 2001

1. BASIC OF FINANCIAL STATEMENT PREPARATION

The Company 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 financial statement and two subsidiaries, Thai-Amadeus Southeast Asia Company Limited and Thai Information Solution Company Limited which the Company holds 55% and 100% of share proportion, 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

The allowance for doubtful accounts is set up for trade account receivables, excluding those from government agencies and state enterprises, which are over 6 months overdue, at the following rates :

Period of overdue	Percentage of allowance for doubtful accounts
Over 6 months to 1 year	50
Over 1 year to 2 years	75
Over 2 Years	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 the historical collection experience and current 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 weighted average cost or net realisable value except inventories in transit are stated at cost.

- Provision for obsolescence of aircraft spare parts is made at an annual rate of 10% of balance at the year-end.

- Slow moving aircraft spare parts and spare parts for sales are spare parts not moving over two years or spare parts for aircraft not presented in the fleet. Provision for obsolescence is made at an annual rate of 33.33% of an incurred balance during the years.

- Provision for obsoleted and damaged investments is made at a full amount.

2.3 Investments

2.3.1 Investments in subsidiaries and associated companies are stated by equity method according to investment proportion in subsidiaries and associated companies.

2.3.2 Long-term investments in non-marketable equity securities are stated at cost net off a provision for impairment in securities. An impairment loss is recognised in income statements in that impairment period.

2.3.3 Current investments in marketable equity securities are stated at market value at the year-end. Gain or loss on change in valuation of trading securities is recognised in income statements. For available-for-sale securities, the Company recognised gain or loss on change in valuation as an unrealised gain or loss shown 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, costs of decoration, acquisition costs and interests on loans for purchasing aircraft which is incurred prior to the aircraft being placed into service less any discount from concessions for acquisitions 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 are capitalised under aircraft and depreciated on a straight-line basis over an estimated useful life of 4-7 years.

2.4.3 Modification and improvement to aircraft are stated at operating 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 the acquisition date cost 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 acquisition date or on completion of construction date and depreciated on a straight-line basis over an estimated useful life of 5-20 years.

2.4.6 Cost of leasehold building is amortised over the period of 10 years.

2.4.7 Gain or loss on sales of aircraft is calculated from the difference between a sale price and a book value of aircraft, D-check, an improvement of equipment, and sales expenses. For a gain or loss on sales of other assets is calculated from the difference between a sale price and a net book value of sold assets which is recognised as revenue or expense in income statements.

2.5 Concessions for Acquisitions of Aircraft and Engines

The Company recorded 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 concessions under contractual agreements are transferred from “Deferred concessions to reduce cost of aircraft” to reduce cost of received aircraft. When assets or services under such concessions are received, “Concessions for acquisitions of aircraft and engines” are transferred to assets or expenses regarding to the received item.

2.6 Liabilities Under Capital Leases

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

2.7 Revenue Recognition

The Company recorded an unearned transportation revenue at net sales. In case of sale having a commission, it is recorded as an expense under marketing expenses.

2.7.1 Passenger and excess baggage revenues:

- Revenue from ticket sales and service orders is recognised as revenue when the transportation is provided. For passengers using services with other airlines, the difference of selling price and billing amount is recognised as revenue when those airlines collect the bills.

- Unused tickets and service orders are recognised as revenue if they are unused for over 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 of selling price and billing amount is recognised as revenue when the other air carriers collect the bills.

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

2.7.3 Since 1993, the Company has operated a programme called “Royal Orchid Plus”, to promote its sales by offering special rights to its members. Programme under the Royal Orchid Plus allows its members to exchange accumulated mileage for a future service. The Company calculates a cost per mile by taking an average net collected fare in each zone which the member redeem awards divided by a number of miles used for redeem awards in each zone. The Company estimates the number of utilizing mileages of the members by, finding the weighted zonal redemption, which the members will use their rights in each zone, to record as a cost of Royal Orchid Plus. The estimated cost is used to reduce passenger revenues together with unearned transportation revenues (liability). Revenues are recognised when the members redeem awards.

- Accumulated mileages of the members, unredeem awards, are recognised as revenues when they are over 3 years.

- To accumulate and use of mileages with Star Alliance, the Company and its strategic partners will inter-billing according to an amount of accumulated mileages which members receive and according to a mileage amount which the members redeem awards regarding price per mile. This is due to the agreements of each strategic partners. Revenues are recognised when the members use their service.

- The Company sells the mileages to its members in order to early exchange awards and recognises the difference between a sale price and a mileage cost as revenues.

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 Thai Shop are recognised when the products are sold.

2.7.5 Other revenues are reconised 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 the exchange rates which are calculated from the average exchange rate of the Bank of Thailand and commercial banks in the month in which transactions occur.

Assets and liabilities denominated in foreign currency remaining at the year-end are translated into Baht at commercial banks' average buying and selling rates, as announced by the Bank of Thailand at that date. Gains or losses on currency exchange are recognised as incomes or expenses in income statements.

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. This fund is managed by a fund manager. So, it does not appear in the Company's balance sheets. Under the fund, the Company contributes to the fund monthly at a rate of 9% of the employees' salaries for members having not more than 20 years of service, and 10% for members having more than 20 years of service. Such contributions are recognised as expenses of the Company.

2.11 Deferred Income Tax

The Company's tax expenses or revenues consist of current period tax which is calculated in accordance with the Revenue Code and deferred tax (income tax which benefits to the Company in the future) which is calculated from the temporary differences between the net book value of the assets and its tax base to comply with the Accounting Standard No.56 effective in or after January 1, 2007. The Company early adopts such standard in the fiscal year 2002.

3. SUPPLEMENTARY INFORMATION

3.1 Effect of Change in Accounting Policy

The Company calculated gains or losses on foreign currency exchange rate to pay corporate income tax for the period ended in or after July 2, 1997 according to the No. 2 (1) of Revenue Department Order No. 72/2540 dated July 24, 1997. The Company calculated gains or losses on foreign currency exchange according to the said announcement, especially a part with benefits its tax base. In this fiscal year, the Company has changed its accounting treatment on deferred tax, previously transferred only a portion utilizing for the year from retained earning, to record at a total amount in deferred tax account. The Company adjusted its retained earnings according to Note to financial statement No.2.11. Also, the Company has restated its 2001 financial statements, shown for comparative purpose, as though the Company had consistently followed the new policy. As a result, retained earnings at the beginning of the year 2002 and 2001 increased by Baht 5,381.17 million and Baht 6,434.33 million, respectively.

3.2 Determination of Short Form in Financial Statements

The Company presented its financial statements in a short form in accordance with the announcement of Department of Commercial Registration B.E. 2544 dated September 14, 2001, issued according to the Section 11 Clause three of the Accounting Act B.E. 2543. The financial statements ended September 30, 2001, shown for comparative purpose, have been restated at the same criteria.

3.3 Cash and Cash Equivalents

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Cash - Domestic	11.53	12.61	11.53	12.61
Cash - Abroad	25.72	16.09	25.72	16.09
Bank Deposits - Domestic	2,605.31	3,434.49	2,479.60	3,282.54
Bank Deposits - Abroad	5,086.48	3,132.83	5,086.48	3,132.83
Short - term Investments - Domestic	2,672.81	1,487.40	2,570.55	1,385.64
Short - term Investments - Abroad	10,347.58	1,329.93	10,347.58	1,329.93
Less Fixed Deposits dued over 3 months	(632.21)	(1,385.62)	(632.21)	(1,385.62)
Total	20,117.22	8,027.73	19,889.25	7,774.02

3.4 Current Investment

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:

Name of Company	No. of Shares	Market Value/Share (at Bourse de Paris) September 30, 2002	Amount (Million)	Amount THB (Million)
FRANCE TELECOM	508,937	EUR 6.94	EUR 3.53	149.66
Cost value			US\$ 0.26	11.26
Unrealised gain on change in market valuation				138.40

(Exchange rate EUR 1:THB 42.3710 and US\$ 1:THB 43.2960)

The Company classified these shares as available-for-sale securities. Gain on market valuation of investment is recorded as unrealised gain on change in market valuation presented under shareholders' equity.

3.5 Trade Account Receivables-Net

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

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Period of overdue				
Not over 6 months	13,086.01	10,980.79	13,085.37	10,977.74
Over 6 months to 1 year	188.29	186.06	186.54	185.24
Over 1 year to 2 years	86.14	465.91	84.14	465.47
Over 2 years	1,186.44	519.27	1,186.08	519.27
	14,546.88	12,152.03	14,542.13	12,147.72
Less Allowance for doubtful Accounts	(1,345.20)	(961.73)	(1,342.46)	(960.99)
Trade account receivables-net	13,201.68	11,190.30	13,199.67	11,186.73

3.6 Inventories and Supplies-Net

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Aircraft spare parts	2,483.96	2,635.28	2,483.96	2,635.28
Vehicle spare parts and ground support equipment	162.59	166.62	162.59	166.62
Slow moving aircraft spare parts and spare parts for sale	2,062.01	1,960.88	2,062.01	1,960.88
Fuel and oil for aircraft	112.20	55.13	112.20	55.13
Goods for sale	159.13	167.77	159.13	167.77
Cabin supplies	111.69	118.65	111.69	118.65
Supplies and other consumable materials	30.04	30.29	30.04	30.29
Stationery and office supplies	75.49	83.91	75.49	83.91
Inventories in transit	246.50	112.82	246.50	112.82
Obsolete and damaged inventories for disposal	75.12	81.08	75.12	81.08
	5,518.73	5,412.43	5,518.73	5,412.43
<u>Less</u> Provision for obsoleted inventories, aircraft spare parts	(1,988.18)	(1,802.74)	(1,988.18)	(1,802.74)
Total	3,530.55	3,609.69	3,530.55	3,609.69

Aircraft spare parts as at September 30, 2002 amount of Baht 2,483.96 million are depreciated at 10% of a balance at the year-end, totalled Baht 248.39 million. Slow moving aircraft spare parts over 2 years or spare parts for aircraft not represented in the fleet which are separated for sales amount of Baht 2,062.01 million are depreciated at Baht 1,458.13 million and set a provision in this fiscal year amount of Baht 206.54 million, totalling amount of Baht 1,664.67 million. Provision for obsolete inventories is Baht 75.12 million. Thus, total provision for obsolete inventories amounted to Baht 1,988.18 million.

The Company is in a process to sell its slow moving aircraft spare parts and spare parts for aircraft not represented in the fleet with a specialist in this field.

3.7 Other Current Assets

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Billing from IATA waiting for verifying	503.86	1,147.82	503.86	1,147.82
Loans to employees	24.48	54.50	24.48	54.50
Subsidiary company receivables	75.56	47.87	75.56	47.87
Accrued incomes	292.18	527.26	292.18	527.26
Value added taxes	346.33	1,712.75	346.33	1,712.75
Other receivables	402.48	192.26	273.36	119.67
Total	1,644.89	3,682.46	1,515.77	3,609.87

3.8 Investments

Consolidated

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Incomes on investments	
			Cost method		Equity method		2002	2001
	2002	2001	2002	2001	2002	2001		
3.8.1 Investments for using the equity method								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2002 amount of Baht 675.00 Million and the year 2001 amount of Baht 562.50 million)	24	24	225.00	225.00	291.05	282.79	39.31	42.85
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	212.91	256.38	52.53	52.39
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2002 amount of Baht 622.01 million)	22.6	30.7	76.79	76.79	349.88	326.71	77.23	56.72
Phuket Air Catering Company Limited	30	30	30.00	30.00	20.46	18.44	2.02	0.28
Total investments for using the equity method					874.30	884.32	171.09	152.24
3.8.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	4.0	4.5	26.18	29.99			-	-
SITA Investment Certificate	-	-	38.68	44.45			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
FRANCE TELECOM (EQUANT N.V.)			-	11.53			-	-
Other Shares			6.77	6.77			0.07	0.05
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			73.38	94.49			0.07	0.05

The Company

Unit : Million Baht

Name of Company	Percentage of Shareholding		Investments				Incomes on investments	
	2002	2001	Cost method		Equity method		2002	2001
			2002	2001	2002	2001		
3.8.1 Investments for using the equity method								
Subsidiary Companies								
Thai Information Solution Company Limited (paid 25% of authorized share capital)	100	100	125.00	125.00	102.35	101.87	0.48	1.91
Thai-Amadeus Southeast Asia Company Limited	55	55	8.25	8.25	152.86	124.53	36.58	63.61
Total					255.21	226.40	37.06	65.52
Associated Companies								
Royal Orchid Hotel (Thailand) Public Co., Ltd. (Market value for the year 2002 amount of Baht 675.00 million and the year 2001 amount of Baht 562.50 million)	24	24	225.00	225.00	291.05	282.79	39.31	42.85
Donmuang International Airport Hotel Company Limited	40	40	48.00	48.00	212.91	256.38	52.53	52.39
Bangkok Aviation Fuel Services Public Company Limited (Market value for the year 2002 amount of Baht 622.01 million)	22.6	30.7	76.79	76.79	349.88	326.71	77.23	56.72
Phuket Air Catering Company Limited	30	30	30.00	30.00	20.46	18.44	2.02	0.28
Total					874.30	884.32	171.09	152.24
Total investments for using the equity method					1,129.51	1,110.72	208.15	217.76
3.8.2 Other long-term investments stated at cost								
Fuel Pipeline Transportation Limited	8.4	8.4	133.00	133.00			-	-
Aeronautical Radio of Thailand Limited	4.0	4.5	26.18	29.99			-	-
SITA Investment Certificate	-	-	38.68	44.45			-	-
TRADESIAM Company Limited (paid 25% of authorized share capital)	3.5	3.5	1.75	1.75			-	-
FRANCE TELECOM (EQUANT N.V.)			-	11.53			-	-
Other Shares			6.77	6.77			0.07	0.05
<u>Less</u> Allowance for impairment of Fuel Pipeline Transportation Limited			(133.00)	(133.00)			-	-
Total other long-term investments			73.38	94.49			0.07	0.05

The Company does not have any authority in management and control of the associated companies except for voting rights and having a representative in board of director according to the Company's share proportion in the associated company.

3.9 Related Transaction Parties the Company

3.9.1 Major shareholders'

	Unit : Million Baht	
	2002	2001
Ministry of Finance		
Guaranteed loans	6,528.14	10,759.47
Loans via the Ministry of Finance	53,398.07	47,957.55
Government Saving Bank		
Loans payable and promissory notes	5,200.00	5,850.00

3.9.2 Subsidiary companies

Name of Company	2002			2001		
	Sales	Trade Accounts Receivable	Other Accounts Receivable	Sales	Trade Accounts Receivable	Other Accounts Receivable
Thai-Amadeus Southeast Asia Company Limited	92.11	0.27	75.53	99.57	0.07	47.79
Thai Information Solution Company Limited	-	-	0.04	-	-	0.01
Total	92.11	0.27	75.57	99.57	0.07	47.80

The policy of purchase price of goods and service between the Company and related parties is based on normal course of business at the same as other parties.

3.10 Property, Plant and Equipment-Net

Consolidated

Unit : Million Baht

	Aircraft (45 Units)	Deferred maintenance and overhaul of aircraft	Aircraft under capital leases (16 Units)	Aircraft spare parts	Land And buildings	Buildings under leasehold	Building improvements	Other plant and equipmen t	Total
Cost									
As at September 30, 2001	97,687.17	3,790.55	64,509.89	22,721.79	3,398.14	3,945.24	2,475.56	17,605.86	216,134.20
-Adjust/Transfer	5,928.75	-	(5,896.75)	(88.09)	(1.49)	1.49	32.65	138.99	115.55
-Increased asset	348.10	1,281.85	13.61	1,876.94	-	18.70	73.33	887.21	4,499.74
-Sold	-	408.02	-	1,320.53	-	-	14.03	294.08	2,036.66
As at September 30, 2002	103,964.02	4,664.38	58,626.75	23,190.11	3,396.65	3,965.43	2,567.51	18,337.98	218,712.83
Accumulated depreciation									
As at September 30, 2001	44,152.24	1,768.42	16,684.30	13,632.09	1,357.29	2,728.05	2,073.92	13,148.14	95,544.45
-Depreciation	3,609.75	738.18	2,508.71	1,835.90	89.95	287.39	175.32	1,133.93	10,379.13
-Adjust/Transfer	3,638.31	-	(3,638.31)	(78.63)	-	-	-	0.22	(78.41)
-Sold	-	408.02	-	585.09	-	-	13.74	293.00	1,299.85
As at September 30, 2002	51,400.30	2,098.58	15,554.70	14,804.27	1,447.24	3,015.44	2,235.50	13,989.29	104,545.32
Net book value									
As at September 30, 2001	53,534.93	2,022.13	47,825.59	9,089.70	2,040.85	1,217.19	401.64	4,457.72	120,589.75
As at September 30, 2002	52,563.72	2,565.80	43,072.05	8,385.84	1,949.41	949.99	332.01	4,348.69	114,167.51

The Company

Unit : Million Baht

	Aircraft (45 Units)	Deferred maintenance and overhaul of aircraft	Aircraft under capital leases (16 Units)	Aircraft spare parts	Land And buildings	Buildings under leasehold	Building improvements	Other plant and equipmen t	Total
Cost									
As at September 30, 2001	97,687.17	3,790.55	64,509.89	22,721.79	3,398.14	3,945.24	2,475.56	17,553.13	216,081.47
-Adjust/Transfer	5,928.75	-	(5,896.75)	(88.09)	(1.49)	1.49	32.65	138.99	115.55
-Increased asset	348.10	1,281.85	13.61	1,876.94	-	18.70	73.33	845.90	4,458.43
-Sold	-	408.02	-	1,320.53	-	-	14.03	294.08	2,036.66
As at September 30, 2002	103,964.02	4,664.38	58,626.75	23,190.11	3,396.65	3,965.43	2,567.51	18,243.94	218,618.79
Accumulated depreciation									
As at September 30, 2001	44,152.24	1,768.42	16,684.30	13,632.09	1,357.29	2,728.05	2,073.92	13,140.01	95,536.32
-Depreciation	3,609.75	738.18	2,508.71	1,835.90	89.95	287.39	175.32	1,118.46	10,363.66
-Adjust/Transfer	3,638.31	-	(3,638.31)	(78.63)	-	-	-	0.22	(78.41)
-Sold	-	408.02	-	585.09	-	-	13.74	293.00	1,299.85
As at September 30, 2002	51,400.30	2,098.58	15,554.70	14,804.27	1,447.24	3,015.44	2,235.50	13,965.69	104,521.72
Net book value									
As at September 30, 2001	53,534.93	2,022.13	47,825.59	9,089.70	2,040.85	1,217.19	401.64	4,413.12	120,545.15
As at September 30, 2002	52,563.72	2,565.80	43,072.05	8,385.84	1,949.41	949.99	332.01	4,278.25	114,097.07

Forty-one aircraft are brought forward from fiscal year 2001. In fiscal year 2002, the aircraft are increased by four, one Boeing 747-400 and three Boeing 737-400 transferring from aircraft under capital leases, at a cost of Baht 2,245.02 million. There are forty-five aircraft at the year-end.

Twenty aircraft under capital leases are brought forward from the fiscal year 2001. Four aircraft under capital leases have been transferred to "Aircraft Account" as the proprietary right was given to the Company, leaving the balance of sixteen aircraft at the year-end.

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

The Company still uses its buildings and equipment with the cost of Baht 24,000.98 million which are fully depreciated.

3.11 Advance Payments for Aircraft

In fiscal year 2001, the Company paid advance payments in the aggregate amount of Baht 12,971.77 million for Boeing 747-400 No.15 and 16 (Baht 6,466.95 million and Baht 6,504.82 million, respectively). The Company plan to sign a financial lease with a lending institution in the near future. Until such time, the Company is financing these aircraft pursuant to a temporary operating lease.

3.12 Loan for Investment in Aircraft Spare Parts

The Company has signed a technical contract in the amount of US\$ 2.80 million with SR TECHNICS for the maintenance of the Company's MD-11 aircraft. The Company receives the interest on this loan at the rate of 6.5% per annum. The balance as at September 30, 2002 and 2001 amounted US\$ 0.63 million or approximately Baht 27.45 million (exchange rate US\$ 1:THB 43.2960) and US\$ 0.63 million or approximately Baht 28.10 million (exchange rate US\$ 1:THB 44.3276), respectively.

3.13 Deferred Income Tax

The temporary differences of the net book value and its tax base are as follows :

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Contribution to staff pension funds	856.30	882.57	856.30	882.57
Allowance for obsoleted inventories	596.45	540.82	596.45	540.82
Allowance for doubtful debts	484.88	318.73	484.06	318.51
Allowance for impairment in value of securities	39.90	39.90	39.90	39.90
Deposits	3.11	-	-	-
Estimated accrual expenses	480.65	-	480.65	-
Tax exemption from loss on foreign currency exchange	4,190.51	5,381.17	4,190.51	5,381.17
Total	6,651.80	7,163.19	6,647.87	7,162.97

3.14 Other Current Liabilities

	Consolidated		Unit : Million Baht The Company	
	2002	2001	2002	2001
Surcharge for war liabilities	1,289.23	-	1,289.23	-
Airport fees	2,339.36	1,335.55	2,339.36	1,335.55
Deferred incomes	356.74	781.61	356.74	781.61
Taxes payable	182.28	268.78	182.28	268.78
Fringe benefits-field office staff	411.19	408.56	411.19	408.56
Other account payables	442.71	983.67	418.28	973.56
Total	5,021.51	3,778.17	4,997.08	3,768.06

3.15 Short-term Loans

These are short-term loans from the Ministry of Finance in the form of European Commercial Paper (ECP) for purchasing Boeing 747-400 No.15 and 16 amount of US\$ 180 million and from THAI Employees' Saving & Credit Coops Ltd. by issuing the Company's promissory note amount of Baht 1,700 million. The brought forward balance was Baht 9,715.53 million and repaid during the year amount of Baht 1,700 million. Also, the Company received the additional ECP loan from the Ministry of Finance amount of US\$ 100 million, totalling amount of US\$ 280 million or approximately Baht 12,175.24 million (exchange rate US\$ 1:THB 43.483) at interest rate ranging from 1.89% to 2.02% per annum.

3.16 Long-term Loans Consolidated and the Company

Loan Currency	Unit : Million Baht			
	Loan Currency		2002	2001
	2002	2001		
JPY	23,000,000,000	-	8,234.85	-
US\$	877,725,128	1,084,151,814	38,166.12	48,278.04
THB	1,350,000,000	2,423,458,900	1,350.00	2,423.45
Total Long-term loans			47,750.97	50,701.49
<u>Less</u> Current portion of long-term loans			10,926.10	9,794.16
Net Long-term Loans			36,824.87	40,907.33

The Company has entered into long-term loan contracts to purchase 18 aircraft. In fiscal year 2002, the total of such loans amounted to Baht 47,750.97 million, consisting of Baht 5,178.14 million in foreign loans at interest rates ranging from 2.06% to 6.02% per annum and Baht 42,572.83 million in domestic loans at interest rate ranging from 0.80% to 8.80% per annum.

3.17 Liabilities Under Capital Leases Consolidated and the Company

Loan Currency	Unit : Million Baht			
	Loan Currency		2002	2001
	2002	2001		
JPY	43,059,088,768	53,597,560,069	15,416.74	20,084.13
US\$	636,672,909	766,578,116	27,684.45	34,136.26
EUR	8,195,352	12,918,398	351.58	528.04
Present value of liabilities under capital leases			43,452.77	54,748.43
<u>Less</u> Current portion of long-term loans			8,651.93	9,926.81
Net Long-term Loans			34,800.84	44,821.62

For certain of its aircraft, the Company has capital leases with buyout options, with 11 foreign financial institutions. The accounting policy for recording aircraft under capital leases is described in Note 2.6. In fiscal year 2002, the Company had outstanding obligations totalling Baht 49,108.59 million under capital leases for 16 aircraft with maturities ranging from 2002 to 2012. After deducting interest due (Baht 5,655.82 million), the present value of obligations under the Company's capital leases was Baht 43,452.77 million.

3.18 Promissory Notes

The Company is loaned from Government Saving Bank and THAI Employees' Saving & Credit Coops Ltd. by issuing promissory notes with floating interest rate computed by using an interest rate of six-month fixed deposit of Government Saving Bank plus the interest ranging from 2.9% to 3.0% per annum. Such issuances are to compensate the payment of aircraft B747-400 No.14 and aircraft A330-300 No.12. The brought forward balance was Baht 9,450.00 million and repaid during the year amounted to Baht 1,050.00 million, leaving the balance amount of Baht 8,400.00 million (loaned from Government Saving Bank amount of Baht 5,200.00 million and THAI Employees' Saving & Credit Coops Ltd. amount of Baht 3,200.00 million). As at September 30, 2002, these promissory notes are 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 7,350.00 million.

3.19 Share Capital

According to the Resolution of Extraordinary Shareholders' Meeting No. 1/2543 held on October 25, 2000, the Company is approved to decrease and increase its authorized share capital. On December 12, 2000, the Company decreased its registered but unissued share capital of 200 million shares at Baht 10 per share, an aggregate of Baht 2,000 million. And on December 13, 2000, the Company registered to increase its share capital of 300 million shares at Baht 10 per share, an aggregate of Baht 3,000 million. The Company also cancelled its common shares offering according to the Resolution of Extraordinary Shareholders' Meeting No.1/2543 and approved to increase its new common shares to public offering according to the Resolution of Extraordinary Shares' Meeting No.1/2545 held on August 30, 2002. As at September 30, 2002, the total value of the Company's authorized share capital was Baht 17,000 million.

3.20 Legal Reserve

At the end of fiscal year 2001, the Company's legal reserve balance amounted to Baht 1,032.78 million. Provision in this fiscal year amounted to Baht 509.10 million, 5% of net profit for the year, a total balance at the year-end amount of Baht 1,541.88 million.

3.21 Accrued Dividends

Dividends accrued by the Company as at September 30, 2002 and 2001, totalling Baht 26.87 million and Baht 26.92 million respectively, are dividends for which certain shareholders have not yet cashed their checks and dividends of certain shareholders whom the registrar cannot contact.

3.22 Segment Information the Company

3.22.1 Business segments

	<u>Revenues</u>		<u>Expenses</u>		<u>Unit : Million Baht</u> <u>Profit(Loss)</u>	
	2002	2001	2002	2001	2002	2001
Air transportation activity	1					
	22,905.50	122,417.23	106,792.45	113,314.63	16,113.05	9,102.60
Business units						
Technical services	953.47	1,151.72	145.96	233.39	807.51	918.33
Customer services	919.40	1,004.77	762.30	758.76	157.10	246.01
Ground support equipment services	1,003.07	1,139.31	862.75	857.26	140.32	282.05
Cargo and mail commercial	1,098.75	1,130.94	922.33	912.87	176.42	218.07
Catering	1,643.59	1,745.93	520.26	637.79	1,123.33	1,108.14
Other activities	212.08	275.98	147.56	89.21	64.52	186.77
Pension fund	-	-	0.02	0.02	(0.02)	(0.02)
Operating profit					18,582.23	12,061.95
Share of net profit from subsidiary and associated companies					208.15	217.76
Interest expenses-net					(5,457.62)	(7,155.28)
Gain(loss) on foreign currency exchange					2,410.30	(3,913.01)
Other incomes(expenses)					(1,395.97)	1,549.29
Income taxes					(4,165.17)	(832.19)
Net profit					10,181.92	1,928.52

3.22.2 Geographical segments

	Unit : Million Baht	
	2002	2001
Domestic Revenues		
Transportation activities	12,216.50	12,255.88
Business units	5,618.28	6,172.67
Other activities	212.08	275.98
Total domestic revenues	18,046.86	18,704.53
Foreign Transportation Revenues		
Regional Asia	61,017.36	61,999.20
Europe	34,447.18	31,772.45
North Pacific	4,884.85	6,521.56
Australia & New Zealand	9,312.79	8,291.39
Total foreign transportation revenues	109,662.18	108,584.60
Charter revenues and others	1,026.82	1,576.75
Total	128,735.86	128,865.88

3.23 Other Incomes

	Unit : Million Baht			
	Consolidated		The Company	
	2002	2001	2002	2001
Revenue from insurance compensation	53.06	51.96	53.06	51.96
Gains on sales of assets	68.25	216.12	68.25	216.12
Revenue from investments	0.07	0.05	0.07	0.05
Dividend from current investments	15.62	-	15.62	-
Other incomes	37.87	537.02	37.28	535.66
Total	174.87	805.15	174.28	803.79

3.24 Other Expenses

	Unit : Million Baht			
	Consolidated		The Company	
	2002	2001	2002	2001
Bad and doubtful debts	551.84	323.18	551.84	322.44
Credit card fees	242.46	244.35	242.46	244.35
Compensation to customers for				
Damages	89.98	104.31	89.98	104.31
Expenses for grounded aircraft	-	1.36	-	1.36
Compensation to early retired staff	518.34	-	518.34	-
Compensation to an obligation of staff				
pension fund	95.12	56.76	95.12	56.76
Other expenses	26.95	95.46	25.22	95.46
Total	1,524.69	825.42	1,522.96	824.68

3.25 Lease and obligation

The Company signed 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 amount to US\$ 1,192.06 million or approximately Baht 51,834.20 million(exchange rate US\$ 1:THB 43.483).

3.26 Staff Pension Fund Consolidated and the Company

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

	Unit : Million Baht	
	2002	2001
Cash and cash equivalents	776.19	1,965.49
Short-term investments	2,570.55	1,385.63
Fixed assets	0.03	0.05
Other current assets	22.27	14.54
Total assets	3,369.04	3,365.71
Other current liabilities	11.43	15.64
Pension fund	3,452.72	3,406.83
Total Liabilities	3,464.15	3,422.47

As at September 30, 2002, the fund balance was Baht 3,452.72 million, which equals the Company's obligation to its staff under the fund. In this fiscal year, the Company contributes to the fund at the rate of 10% amount of Baht 218.71 million plus an obligation amount of Baht 95.12 million, totalling amount of Baht 313.83 million.

3.27 Staff Provident Fund

In this fiscal year, the Company contributes to the provident fund at the rate of 9% for the members having not more than 20 years of services and 10% for the members having more than 20 years of services amount of Baht 625.53 million.

3.28 Contingent Liabilities

The Company has contingent liabilities resulting from the following commitments:

	Unit : Million Baht	
	2002	2001
The Company as defendant in		
Labour dispute cases	37.42	28.22
Damage claims cases	447.81	603.94
Cases relating to aircraft accident which are included in the insurance company's liabilities at Thibavan, Nepal, in 1992	-	83.01
Total	485.23	715.17

In fiscal year 2002, the case relating to aircraft accident at Nepal in 1992 is finished. The insurers had paid compensation to all claimers therefore the Company has no obligation to such case.

3.29 Disclosure of Financial Instrument The Company

3.29.1 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 result at the present and in the future.

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

Financial Liabilities	Weighted Average Interest Rate	2002				Total
		Loan Balance recording to Floating Interest Rate		Loan Balance recording to Fixed Interest Rate		
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
Classified according to currencies						
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

Unit : Million Baht

Unit : Million Baht

2001

Financial Liabilities	Weighted Average Interest Rate	Loan Balance recording to Floating Interest Rate		Loan Balance recording to Fixed Interest Rate		Total
		Less than 1 year	Over 1 year	Less than 1 year	Over 1 year	
Classified according to currencies						
US\$	6.26	10,702.12	13,779.61	12,092.34	53,855.76	90,429.83
JPY	1.23	964.53	9,966.94	2,984.45	6,168.21	20,084.13
FRF	5.72	-	-	193.06	334.99	528.05
THB	6.37	2,750.00	8,400.00	800.00	1,623.46	13,573.46

3.29.2 Exchange Rate Risk

A fluctuation in exchange rate has an effect on long-term liability and operating expense which are in the form of foreign currencies. The hedging policy of the Company is to hold foreign currencies receiving from foreign currency revenues in a proportion to such foreign currency expenses. In addition, the Company holds surplus cash in major foreign currency which is stable and important to the Company's operation in order to reduce its risk from a fluctuation of exchange rate.

Unit : Million Baht

Foreign Currency Liabilities

Currency	2002		2001	
	Maturity within 1 year	Maturity over 1 year	Maturity within 1 year	Maturity over 1 year
US\$	28,239.21	49,786.60	22,794.46	67,635.37
JPY	2,958.06	20,693.54	3,948.98	16,135.15
EUR	256.01	95.57	-	-
FRF	-	-	193.06	334.99

3.29.3 Fuel Price Risk

The fluctuation in fuel price, depend on supplies and demands of fuel in the world market including a political situation in other countries, has a direct effect on the Company's operation because the aviation fuel is a major material for aviation transport. To hedge the expense from fuel price fluctuation, the Company engages in an agreement with the foreign supplies where the Company has a lot of fuel demands in order to insure the fuel demand in case of a lack of aviation fuel.

3.29.4 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties with freedom to bargain and having no relation.

The following table presents the year-end balance in financial statements and an estimate of fair value of financial assets and liabilities as at September 30, 2002 and 2001.

Unit : Million Baht

The Company				
	September 30, 2002		September 30, 2001	
	Balance	Fair Value	Balance	Fair Value
Financial Assets				
Cash and bank balance	19,889.25	19,889.25	7,774.02	7,774.02
Fixed deposits due over 3 months	632.21	632.21	1,385.62	1,385.62
Current investments	149.66	149.66	-	-
Other investments	1,202.89	1,858.97	1,205.21	1,484.92
Trade account receivables	13,199.67	13,199.67	11,186.73	11,186.73
Financial Liabilities				
Trade account payables	3,869.34	3,869.34	3,080.27	3,080.27
Loans	111,778.99	111,778.99	124,615.46	124,615.46
Accrued expenses	12,803.67	12,803.67	12,143.97	12,143.97

Method and assumption that the Company uses to estimate a fair value of assets and liabilities are as follows:

Cash and bank balance, short-term investments, accounts payable, loans, and accrued expenses are stated at fair value by estimating according to an amount in the balance sheet.

Current investments are stated at fair value according to a market value.

Other investments are stated at fair value by estimating from a net book value after net off impairment. For investments in marketable equity securities, they are stated at fair value according to a market value.

Trade account receivables are stated at fair value from a net balance of accounts receivable after net off allowance for doubtful accounts.

3.30 Event after Financial Date

On October 11, 2002, the Resolution of Extraordinary Shareholders' Meeting No. 2/2545 approved the Company to provide two long-range aircraft amount of US\$ 359.80 million or approximately Baht 15,202 million and one medium-range aircraft amount of US\$ 162.70 million or approximately Baht 6,874.00 million, totalling US\$ 522.50 million or approximately Baht 22,076.00 million (exchange rate US\$ 1 : THB 42.25) according to the Company's Corporate Plan for the year 2000/01 - 2004/05.

The Company has hired consultants of finance, law and accounting in order to increase its share capital amount of Baht 78.15 million in accordance with the Resolution of Extraordinary Shareholders' Meeting No.1/2545 held on August 30, 2002 (Note to financial statement No.3.19).