

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

- 1.1 Precious Shipping Public Company Limited was incorporated as a public limited company under Thai laws and then listed on the Stock Exchange of Thailand. The Company is engaged the business in Thailand as a holding company for investment in the business of marine transportation. Its registered office is located at No. 8 Cathay House, 7th Floor, North Sathorn Road, Silom, Bangrak, Bangkok.
- 1.2 Although the economic crisis has eased to a certain extent in the current year, its remaining adverse effects are expected to continue to impact on business environment. However, the financial statements under report have been prepared on the going concern basis assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of the businesses of the Company and subsidiaries.

2 BASIS OF CONSOLIDATION

- 2.1 The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited (“the Company”), and the financial statements of its subsidiary companies (“the subsidiaries”) for the year ended 31 December 2001 and 2000. The percentage of subsidiaries owned by the company, assets and revenues of the subsidiaries included in the consolidated financial statements are as follows :-

Subsidiaries	Country of incorporation	Percentage directly and indirectly owned by the Company		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		2001	2000		2001	2000	2001	2000
1. Precious Shipping (Singapore) Pte. Limited	Singapore	100	100	Marine transportation	4.01	5.29	4.05	8.80
2. Thebes Pte. Limited	Singapore	100	100	Holding company	0.01	-	-	-
3. Regidor Pte. Limited	Singapore	100	100	Holding company	0.01	-	-	-
4. Precious Metals Limited	Thailand	99.99	99.99	Marine transportation	2.40	2.35	2.44	1.89
5. Precious Wishes Limited	Thailand	99.99	99.99	Marine transportation	2.93	3.03	5.90	5.10
6. Precious Capitals Limited	Thailand	99.99	99.99	Marine transportation	6.64	6.27	5.80	5.51
7. Precious Oceans Limited	Thailand	99.99	99.99	Marine transportation	4.42	4.19	3.23	2.33
8. Precious Minerals Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	-
9. Precious Stones Shipping Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	-
10. Precious Mountains Limited	Thailand	99.99	99.99	Marine transportation	6.67	6.18	3.08	2.77
11. Precious Hills Limited	Thailand	99.99	99.99	Marine transportation	6.37	5.97	3.05	3.04
12. Precious Resorts Limited	Thailand	99.99	99.99	Marine transportation	7.72	7.12	2.93	2.83
13. Precious Lagoons Limited	Thailand	99.99	99.99	Marine transportation	5.56	4.95	3.50	2.51

Subsidiaries	Country of incorporation	Percentage directly and indirectly owned by the Company		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		2001	2000		2001	2000	2001	2000
14. Precious Cities Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	-
15. Precious Cliffs Limited	Thailand	99.99	99.99	Marine transportation	5.65	5.33	3.61	2.73
16. Precious Stars Limited	Thailand	99.99	99.99	Marine transportation	5.41	5.01	3.12	3.46
17. Precious Seas Limited	Thailand	99.99	99.99	Marine transportation	6.36	6.13	7.10	5.49
18. Precious Planets Limited	Thailand	99.99	99.99	Marine transportation	1.51	2.48	5.43	4.70
19. Precious Jasmines Limited	Thailand	99.99	99.99	Marine transportation	4.92	4.49	6.06	6.72
20. Precious Ventures Limited	Thailand	99.99	99.99	Marine transportation	2.85	3.07	4.98	5.01
21. Precious Diamonds Limited	Thailand	99.99	99.99	Marine transportation	2.40	2.38	3.26	3.34
22. Precious Orchids Limited	Thailand	99.99	99.99	Marine transportation	2.75	2.66	3.26	2.79
23. Precious Rivers Limited	Thailand	99.99	99.99	Marine transportation	1.87	1.90	2.71	2.62
24. Precious Forests Limited	Thailand	99.99	99.99	Marine transportation	0.93	1.05	3.27	2.75
25. Precious Trees Limited	Thailand	99.99	99.99	Marine transportation	1.42	1.58	2.82	2.64
26. Precious Flowers Limited	Thailand	99.99	99.99	Marine transportation	1.32	1.19	4.08	3.04
27. Precious Pearls Limited	Thailand	99.99	99.99	Marine transportation	1.46	1.20	2.65	3.25
28. Precious Emeralds Limited	Thailand	99.99	99.99	Marine transportation	1.29	1.43	2.30	1.97
29. Precious Ponds Limited	Thailand	99.99	99.99	Marine transportation	1.06	1.09	3.24	2.23
30. Precious Gamets Limited	Thailand	99.99	99.99	Marine transportation	1.20	1.04	1.83	2.19
31. Precious Rubies Limited	Thailand	99.99	99.99	Marine transportation	-	0.44	0.85	1.47
32. Precious Lands Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	-
33. Precious Opals Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	0.07
34. Precious Lakes Limited	Thailand	99.99	99.99	Marine transportation	-	-	-	-
35. Precious Sapphires Limited	Thailand	99.99	99.99	Marine transportation	0.03	0.48	0.82	2.09
36. Great Circle Shipping Agency Limited	Thailand	99.99	99.99	Ship technical management	2.51	2.68	0.36	0.47
37. Precious Shipping (UK) Limited	England	99.99	99.99	Chartering	0.74	0.29	0.03	0.06
38. Precious Shipping (Panama) S.A.	Panama	99.99	99.99	Chartering	0.18	0.41	0.01	0.02
39. Precious Shipping (Mauritius) Limited	Mauritius	99.99	99.99	Holding company	0.02	0.02	-	-
40. Rapid Port Leasing Pte. Limited	Singapore	99.99	99.99	Holding company	0.01	-	-	-
41. PSL Bulk Terminal Company Limited	Mauritius	99.99	99.99	Holding company	0.26	0.27	-	-
42. Geepee Corporation Limited	Thailand	99.88	99.88	Holding company	0.24	0.19	-	-
43. Precious Comets Limited	Thailand	99.40	99.40	Marine transportation	-	-	-	-
44. Precious Ornaments Limited	Thailand	99.40	99.40	Marine transportation	-	-	-	-
45. International Lighterage Limited	Mauritius	79.99	79.99	Holding company	0.11	0.13	-	-
46. Precious Storage Terminals Limited	Thailand	69.99	69.99	Bulk storage barges	0.11	0.23	0.07	0.10
47. Nedtex Limited	Thailand	69.99	69.99	Bulk storage barges	0.07	0.13	0.09	0.12
48. PSL Investments Limited	Mauritius	68.96	68.96	Holding company	1.80	1.87	-	-
49. PSL Thun Shipping Pte. Limited	Singapore	64.06	64.06	Marine transportation	2.04	1.18	3.50	3.11
50. Cargo Systems International Limited	Mauritius	59.93	59.93	Holding company	-	-	-	-
51. Multi Cargo Systems (India) Private Limited	India	59.93	59.93	Handling services	-	-	-	-
52. Geepee Bulk Handlers Private Limited	India	50.94	50.94	Port management	1.30	2.01	0.31	1.04
53. Geepee Cargo Agencies Limited	India	50.93	50.93	Agency	0.07	0.02	0.06	0.04

2.2 The financial statements of the subsidiaries incorporated overseas are translated into Thai Baht at the average closing exchange rate at the balance sheet date as to assets and liabilities, and at the average exchange rate during the year as to revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustment” in the shareholders’ equity.

- 2.3 Material balances and transactions between the Company and its subsidiaries, investments in the subsidiaries in the Company's accounts and shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.
- 2.4 The acquisition cost of investments in the subsidiaries and the net book value of the subsidiaries at the time of acquisition have been eliminated and the difference thereof have been shown as intangible asset under the heading of "Goodwill" in balance sheet and has been amortised over a period of 20 years.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and with the Accounting Act B.E. 2543.

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

31 Income recognition

Vessel operating income consist of

- | | | |
|-----------------|---|--|
| Time charters | - | Income and expenses are recognised on an accrual basis. |
| Voyage charters | - | Income and expenses are recognised on the percentage of completion basis (completed voyage). |

Service income is recognised when service has been rendered.

32 Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover the estimated losses that may be incurred in the collection. The allowance is based on collection experience and current status of receivables outstanding at the balance sheet date. Bad debts are written off for the accounts considered unrecoverable.

33 Bunker Oil

Bunker oil is valued at cost (first-in, first-out method).

34 Investments

Investments in associated companies in the consolidated financial statements, investments in subsidiaries and associated companies in the Company's financial statements are valued under equity method. Under this method, the investment is recorded at cost and for each subsequent year the investment is adjusted to incorporate the Company's proportionate share of the operating results in the subsidiaries and associated companies.

Investments in non-marketable equity securities, which the Company holds as other investments, are valued at cost.

35 Land, vessels, condominium and equipment

Land is valued at cost. Vessels and equipment are valued at cost less accumulated depreciation.

Condominium, acquired before 1996, are valued at appraisal value less accumulated depreciation. The condominium acquired subsequent to the appraisal dates are valued at cost less accumulated depreciation. The surplus resulting from the revaluation has been shown under the caption of "Revaluation surplus" in the shareholders' equity in the balance sheet.

36 Depreciation and amortisation

Depreciation of vessels and equipment is calculated by reference to their costs (after deducting residual value), depreciation of condominium and other equipment is calculated by reference to their costs or appraised value, using the straight-line method over the estimated useful lives as follows :-

Vessels and equipment	5 - 20 years
Barges and equipment	15 years
Condominium	20 years
Plant equipment	10 years
Leasehold improvement	lease periods (3 years and 20 years)
Others	5 years

As at 31 December 2001 and 2000, three subsidiaries have vessels and equipment at cost of approximately Baht 529.3 million (USD 21 million) and Baht 541.2 million (USD 21.9 million), with residual value of approximately Baht 163.2 million (USD 6.4 million) and Baht 186.6 million (USD 7.3 million), respectively. The subsidiaries depreciated their vessels and equipment since their acquisition by the straight-line method for a period of seven years and five years, respectively on cost net of residual value and have fully depreciated their vessels during the year 2001 and 2000. However, the subsidiaries made a survey of the estimated useful life and residual value of their vessels and expected that the useful life should be extended for another five years with the residual value of USD 0.7 million per vessel. Those subsidiaries, therefore, depreciate their vessels and equipment by the straight-line method for a period of five years on cost net of residual value since the date first fully depreciated during the years 2001 and 2000. Additional depreciation expenses for the years 2001 and 2000 are approximately Baht 64.7 million and Baht 45.7 million, respectively.

No depreciation is provided for land.

Deferred charges represent dry-dock and survey expenses which are amortised on a straight line basis over the periods of two years and four years, respectively.

37 Provision for assets impairment

Provision for assets impairment has been set up when there are indications that the carrying value of the assets may be higher than their net realisable value or fair value. The impairment losses will be recognised in the earnings statement, or reduce the revaluation increment in assets in case that those assets are previously revalued. The reversal of impairment losses will be recognised as part of other income or as a revaluation increment in assets when there is an indication that the impairment losses are no longer exist or decreased.

38 Foreign currencies

Foreign currency transactions during the year are recorded at the average rates ruling on the previous transaction month. Assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Thai Baht at the rates ruling on the balance sheet date. Exchange gains and losses are included in determining earnings.

39 Basic earnings per share

Basic earnings per share is determined by dividing net earnings (loss) for the year by the weighted average number of ordinary shares held by outside shareholders.

Diluted earnings per share for the year ended 31 December 2001 is calculated as follows :-

	CONSOLIDATED/THE COMPANY ONLY		
	Earnings (Thousand Baht)	Number of shares (Thousand shares)	Earnings per share (Baht)
Basic earnings per share			
Net earnings attributable to ordinary shareholders	673,318	52,000	12.95
Dilution effect			
Redeemable convertible debentures		126,452	
- Gain on redemption	(233,068)		
- Exchange loss on RCDs	21,137		
Diluted earnings per share			
Net earnings attributable to ordinary shareholders assuming conversion of dilutive securities	461,387	178,452	2.59

4 CURRENT INVESTMENTS - TIME DEPOSITS

Time deposits as at 31 December 2001 of Baht 5 million and USD 0.23 million (2000 : Baht 2.6 million and USD 0.62 million) were pledged at banks to secure letters of guarantee issued by the banks in favor of charterers, local government authorities and service providers required in the normal course of business by the Company and subsidiaries.

5 TRADE ACCOUNTS RECEIVABLE

The balances of trade accounts receivable are classified by aging as follows :-

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2001	2000	2001	2000
Less than 3 months	110,083	77,915	-	-
3 - 6 months	2,314	2,510	-	-
6 - 12 months	3,768	10,950	-	162
More than 12 months	96,202	71,743	2,066	1,854
Total	212,367	163,118	2,066	2,016
Less : Allowance for doubtful accounts	(91,548)	(58,399)	(2,066)	(1,579)
Trade accounts receivable - net	120,819	104,719	-	437

6 RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries, associated and related companies (related by way of common shareholders and/or directors). Such transactions, have been concluded on the terms and basis as agreed by the Company and those companies, were in the normal course of business. The transactions included advances to Nedtex Ltd. and Precious Storage Terminals Ltd. charging interest at a rate of 8% per annum and advances to/from other subsidiaries and associated companies on which no interest is charged. The transactions are summarised below :-

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2001	2000	2001	2000
<u>Transactions with subsidiaries</u>				
(Eliminated from consolidated financial statements)				
Vessel operating income	-	-	-	3,919
Interest income	-	-	2,639	2,213
Administrative expenses	-	-	6,348	5,124
Interest expenses	-	-	-	65,421
<u>Transactions with related companies</u>				
Rental and related expenses	2,045	1,939	1,028	969
Air ticket expenses	12,377	14,335	2,597	2,982

The outstanding balances of the above transactions have been separately shown in the balance sheets. Details of balances are as follows :-

(Unit : Thousand Baht)

	THE COMPANY ONLY			
	2000	Increase	Decrease	2001
<u>Receivable from and advances to subsidiaries</u>				
Precious Hills Limited	183,817	54,792	108,245	130,364
Great Circle Shipping Agency Limited	181,814	14,559	49,201	147,172
Precious Capitals Limited	151,159	279,578	260,870	169,867
Precious Jasmines Limited	147,987	114,487	99,146	163,328
Precious Orchids Limited	86,826	136,563	160,695	62,694
Precious Seas Limited	72,318	142,405	147,010	67,713
Precious Resorts Limited	65,775	152,707	133,417	85,065
Precious Shipping (Mauritius) Limited	76,028	20,544	44,228	52,344
Precious Trees Limited	62,340	40,213	70,624	31,929
Precious Stars Limited	55,689	169,748	112,541	112,896
Precious Ponds Limited	48,812	42,388	73,821	17,379
Precious Cliffs Limited	46,415	113,226	126,009	33,632
Geepee Corporation Limited	32,764	5,995	-	38,759
Precious Shipping (Panama) S.A.	18,888	145,155	155,980	8,063
Precious Storage Terminals Limited	14,675	44,742	54,128	5,289
Nedtex Limited	12,944	28,681	32,242	9,383
Precious Rivers Limited	5,337	91,861	86,728	10,470
Precious Lakes Limited	4,122	37	182	3,977
Precious Shipping (UK) Limited	3,141	294,125	271,774	25,492
Regidor Pte. Limited	180	181	17	344
Thebes Pte. Limited	167	160	-	327
	<u>1,271,198</u>	<u>1,892,147</u>	<u>1,986,858</u>	<u>1,176,487</u>
<u>Payable to and advances from subsidiaries</u>				
Precious Shipping (Singapore) Pte. Limited	271,938	481,039	403,786	349,191
Precious Wishes Limited	237,490	204,422	190,329	251,583
Precious Metals Limited	173,332	88,498	54,113	207,717
Precious Minerals Limited	139,976	18	39	139,955
Precious Cities Limited	139,516	-	38	139,478
Precious Stones Shipping Limited	137,700	26	29	137,697
Precious Flowers Limited	82,521	194,343	154,922	121,942

(Unit : Thousand Baht)

	THE COMPANY ONLY			
	2000	Increase	Decrease	2001
Precious Forests Limited	81,139	92,846	78,956	95,029
Precious Planets Limited	71,470	151,022	76,291	146,201
Precious Diamonds Limited	43,844	71,424	43,214	72,054
Precious Lagoons Limited	43,559	142,366	139,888	46,037
Precious Opals Limited	23,747	23,943	23,784	23,906
Precious Lands Limited	21,362	21	30	21,353
Precious Rubies Limited	21,334	59,167	13,737	66,764
Precious Sapphires Limited	18,352	22,031	38,251	2,132
Precious Pearls Limited	6,451	67,245	52,760	20,936
Precious Garnets Limited	5,370	40,120	25,240	20,250
Precious Mountains Limited	4,288	117,566	117,756	4,098
Precious Comets Limited	11	31	42	-
Precious Ornaments Limited	11	31	42	-
Precious Oceans Limited	(29,205)	127,769	49,180	49,384
Precious Emeralds Limited	(14,432)	64,415	38,361	11,622
Precious Ventures Limited	(10,191)	160,881	117,732	32,958
Total	<u>1,469,583</u>	<u>2,109,224</u>	<u>1,618,520</u>	<u>1,960,287</u>

The outstanding balances of the amounts due from/to subsidiaries represents current accounts between the Company and those companies. The Company's management believes that no allowance for doubtful accounts is necessary.

Details of subordinated interest-free loans from subsidiaries, which are repayable within 2006, are as follows :-

(Unit : Thousand Baht)

	THE COMPANY ONLY	
	2001	2000
Precious Cliffs Limited	143,000	143,000
Precious Capitals Limited	143,000	143,000
Precious Jasmines Limited	100,750	100,750
Precious Stars Limited	96,525	96,525
Precious Seas Limited	95,693	95,693
Precious Orchids Limited	57,850	57,850
Precious Ponds Limited	21,450	21,450
Precious Lakes Limited	4,550	4,550
Total	<u>662,818</u>	<u>662,818</u>

7. OTHER RECEIVABLE

On 26 August 1999, the Company entered into sale and purchase of shares agreement with a foreign company ("the purchaser") to sell its investment in common shares of a foreign company of 1,250,000 shares (par value SGD 1 per share) at a selling price of SGD 2,210,000. The purchaser will pay to the Company in 29 monthly installments (comprising of principal plus interest thereon at 12% per annum) commencing on 30 September 1999.

On 6 September 2000 the purchaser entered into a shares pledge agreement with the Company. According to the agreement, the purchaser pledged the above common shares to the Company as collateral security for the due and punctual payment and performance by the purchaser in connection with the sale and purchase of shares agreement.

The purchaser has defaulted in debt repayment for a certain period. The Company has therefore set up a full provision of Baht 59 million in 2001.

8 INVESTMENTS

These represent investments in the following subsidiaries, associated and other companies :-

(Unit : Thousand Baht)						
	Percentage of Ownership	Cost Method	CONSOLIDATED		THE COMPANY ONLY	
			Equity Method		Equity Method	
	2001/2000	2001/2000	2001	2000	2001	2000
<i>Investments accounted for under equity method</i>						
<i>Subsidiaries</i>						
Precious Shipping (Singapore)						
Pte. Limited	100.00	363,338			558,760	527,760
Precious Metals Limited	99.99	250,000			318,426	278,707
Precious Wishes Limited	99.99	229,999			287,979	260,821
Precious Capitals Limited	99.99	199,999			154,429	86,361
Precious Oceans Limited	99.99	175,000			296,807	240,964
Precious Minerals Limited	99.99	140,000			137,961	137,536
Precious Stones Shipping Limited	99.99	140,000			137,720	137,801
Precious Mountains Limited	99.99	139,999			166,895	141,970
Precious Hills Limited	99.99	139,999			230,730	199,814
Precious Resorts Limited	99.99	139,999			144,316	131,533
Precious Lagoons Limited	99.99	139,999			159,399	135,704
Precious Cities Limited	99.99	139,999			139,473	139,500
Precious Cliffs Limited	99.99	139,999			58,405	48,393
Great Circle Shipping Agency Limited	99.99	121,995			(32,039)	(18,661)
Precious Stars Limited	99.99	105,000			83,901	54,019
Precious Seas Limited	99.99	100,000			161,045	84,795
Precious Planets Limited	99.99	100,000			156,384	124,150
Precious Jasmines Limited	99.99	97,999			186,962	142,110
Precious Ventures Limited	99.99	79,999			114,345	67,492
Precious Diamonds Limited	99.99	55,000			137,306	86,959
Precious Orchids Limited	99.99	51,999			109,449	71,430
Precious Rivers Limited	99.99	44,000			38,121	24,492
Precious Forests Limited	99.99	39,999			66,912	41,752
Precious Trees Limited	99.99	39,999			14,808	1,948
Precious Flowers Limited	99.99	38,999			112,671	75,506
Precious Pearls Limited	99.99	38,999			84,731	65,571
Precious Emeralds Limited	99.99	32,000			80,441	48,799

	Percentage of Ownership	Cost Method	CONSOLIDATED		THE COMPANY ONLY	
	2001/2000	2001/2000	Equity Method		Equity Method	
			2001	2000	2001	2000
Precious Ponds Limited	99.99	31,999			52,472	21,178
Precious Garnets Limited	99.99	30,999			83,798	65,639
Precious Rubies Limited	99.99	24,000			65,926	45,200
Precious Lands Limited	99.99	24,000			21,251	21,279
Precious Opals Limited	99.99	24,000			23,937	23,966
Precious Lakes Limited	99.99	24,000			(3,459)	(3,391)
Precious Sapphires Limited	99.99	23,999			3,073	(15,987)
Geepee Corporation Limited	99.88	5,874			2,660	34,294
Precious Storage Terminals Limited	69.99	4,199			(11,739)	(12,051)
Nedtex Limited	69.99	648			(13,061)	(10,779)
Precious Shipping (UK) Limited	99.99	250			6,045	4,472
Precious Shipping (Panama) S.A.	99.99	250			30	(239)
Precious Shipping (Mauritius) Limited	99.99	250			(24,847)	892
Precious Comets Limited	99.40	99			(33)	(7)
Precious Ornaments Limited	99.40	99			(34)	(7)
Thebes Pte. Limited	100.00	0.0365			16	33
Regidor Pte. Limited	100.00	0.0503			(26)	(9)
Total net investments in subsidiaries		<u>3,478,984</u>			<u>4,312,346</u>	<u>3,511,709</u>
Investments accounted for under equity method					4,397,584	3,572,840
Share of losses over investments					(85,238)	(61,131)
Net					<u>4,312,346</u>	<u>3,511,709</u>
<i>Other investments</i>						
International Seaports Pte. Limited	33.33	17,225	22,955	17,225	22,955	17,225
Dhamra Port Company Private Ltd.	26.37	91,765	91,754	105,775	-	-
Southern LPG Ltd.	39.96	31,716	19,365	28,117	-	-
Kakinada Seaports Limited (Formerly known as "Cocanada Port Company Private Ltd.")	16.65	15,285	15,285	17,868	-	-
Total other investments		<u>155,991</u>	<u>149,359</u>	<u>168,985</u>	<u>22,955</u>	<u>17,225</u>

The Company has presented share of losses from subsidiaries over investments by netting off the receivable from/payable to subsidiaries in the balance sheets.

As at 31 December 2001 the Company has pledged the shares of twenty subsidiaries amounting under equity method of Baht 2,937 million with banks to secure the long-term loans referred to in Note 10.

The Company and subsidiaries have recorded investments in three overseas associated companies under the equity method upto 31 December 2000 since the Company and subsidiaries are making efforts to sell these investments and the investment in other company. This is to comply with the conditions of the debt restructuring agreement. Therefore, the above investments have been reclassified to other investments in other current assets.

9 LAND, VESSELS, CONDOMINIUM AND EQUIPMENT

(Unit : Thousand Baht)

	CONSOLIDATED									
	Assets at appraisal value	Assets at cost								
	Condominium	Vessels and equipment	Barges and equipment	Plant equipment	Condominium	Furniture, fixtures and office equipment	Motor vehicles	Land	Leasehold improvement	Total
<u>Cost / Appraised value</u>										
31 December 2000	185,845	8,274,658	51,741	139,956	20,957	46,440	34,263	1,284	1,978	8,757,122
Acquisitions	-	-	-	-	-	773	264	-	350	1,387
Disposals	-	(402,657)	(51,741)	(25,374)	(9,000)	(4,867)	(21,535)	(1,284)	(1,578)	(518,036)
31 December 2001	185,845	7,872,001	-	114,582	11,957	42,346	12,992	-	750	8,240,473
<u>Accumulated depreciation</u>										
31 December 2000	47,221	3,084,870	29,281	56,085	5,663	35,408	18,480	-	1,347	3,278,355
Depreciation for the year	7,698	511,695	2,612	7,656	768	2,271	6,255	-	111	539,066
Depreciation on revaluation surplus	4,983	-	-	-	-	-	-	-	-	4,983
Depreciation on disposals	-	(294,864)	(31,893)	(2,036)	(1,667)	(1,673)	(14,396)	-	(999)	(347,528)
31 December 2001	59,902	3,301,701	-	61,705	4,764	36,006	10,339	-	459	3,474,876
<u>Net book value</u>										
31 December 2000	138,624	5,189,788	22,460	83,871	15,294	11,032	15,783	1,284	631	5,478,767
31 December 2001	125,943	4,570,300	-	52,877	7,193	6,340	2,653	-	291	4,765,597
<u>Depreciation for the year</u>										
2000										608,723
2001										544,049

(Unit Thousand Baht)

	THE COMPANY ONLY			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<u>Cost</u>				
31 December 2000	13,484	9,947	1,978	25,409
Acquisitions	90	-	350	440
Disposals	-	(50)	(1,578)	(1,628)
31 December 2001	13,574	9,897	750	24,221
<u>Accumulated depreciation</u>				
31 December 2000	10,065	6,312	1,347	17,724
Depreciation for the year	1,307	1,341	111	2,759
Depreciation on disposals	-	(39)	(999)	(1,038)
31 December 2001	11,372	7,614	459	19,445
<u>Net book value</u>				
31 December 2000	3,419	3,635	631	7,685
31 December 2001	2,202	2,283	291	4,776
<u>Depreciation for the year</u>				
2000				7,567
2001				2,759

The subsidiaries have mortgaged thirty-one vessels and certain condominium units with bank to secure long-term loans as referred to in Note 10.

During the current year, certain subsidiaries disposed of their four vessels, two barges and a condominium unit with loss of Baht 14 million.

10 LONG-TERMLOANS

These long-term loans are the loans resulting from the restructuring of debts under the debt restructuring agreement dated 6 July 2000 and 10 July 2000.

The outstanding balances of loans as at 31 December 2001 and 2000 were as follows:

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2001	2000	2001	2000
Original loans	2,395,492	3,405,284	60,677	160,406
Commercial loans	1,701,730	1,744,415	1,701,730	1,744,415
Less : Current portion	(590,107)	(817,346)	(54,651)	(45,351)
Long-term portion	<u>3,507,115</u>	<u>4,332,353</u>	<u>1,707,756</u>	<u>1,859,470</u>

Original loans

As at 31 December 2001, the Company and twenty of its subsidiaries had outstanding loans from various banks and financial institutions aggregating approximately Baht 289.6 million, USD 47.14 million and INR 15 million (2000 : Baht 355.3 million, USD 69.87 million and INR 15 million) on which interest is charged at fixed and floating rates specified in the agreements. According to the repayment schedule, the loans will be repaid in quarterly installments commencing 31 March 2000 until the end of 2005. During the year, the Company and certain subsidiaries repaid approximately Baht 65.7 million and USD 22.73 million (2000 : Baht 182.88 million and USD 21.58 million) of the loan.

As at 31 December 2001, these loans are secured by the following :-

- The mortgage of thirty vessels belonging to subsidiaries and the condominium units of a subsidiary (Note 9).
- The pledge of the shares of nineteen subsidiaries (Note 8).
- The guarantees of twenty-five subsidiaries by Precious Shipping Public Company Limited.
- The assignment of the insurance policies for thirty of the subsidiaries's vessels.

Commercial loans

These are Thai Baht loans which the Company shall, by no later than each of the repayment dates specified below, repay an aggregate principal amount of at least equal to the amounts specified below :-

<u>Repayment Date</u>	<u>Equivalent to Million US dollar</u>
31 December 2001	7.0
25 July 2004	40.0

The commercial loans carry interest at fixed rates per annum. If the Company fails to repay at the applicable repayment dates, interest rate will be increased by 1% per year from those dates. The loans are finally due for repayment on 17 July 2005. During the year, the Company repaid approximately Baht 42.7 million (2000 : Baht 5.86 million). These loans are secured by pledge of the share of a subsidiary (Note 8), the mortgage and the assignment of the insurance policy of one vessel of a subsidiary (Note 9). The Company has to comply with certain conditions and restrictions provided in the above loan agreements such as :-

- a) The debt service coverage ratio of at least 1.25 : 1 and debt to equity ratio of not exceeding 2 : 1 and funded debt ratio not exceeding 4 : 1.
- b) Certain amounts of cash flow surplus shall be used for loans repayment.
- c) Not to create or permit to subsist any security interest on the whole or any part of its present or future assets, except for permitted security interest.
- d) Limit the acquisition of assets and investments at the amount as defined in the agreements.
- e) Not to permit the reduction of the Company's share capital.

11. REDEEMABLE CONVERTIBLE DEBENTURES

These redeemable convertible debentures (RCDs) were issued under the terms of the debt restructuring agreement dated 17 July 2000.

On 17 July 2000, the Company issued Thai Baht 589,503,000 and USD 20,936,297 of zero coupon RCDs. Under the terms and conditions of the Thai Baht's and US dollar's RCDs, the Company has an option to redeem the debentures within a period of thirty months from the issue date. In the first six months from the issue date, the redemption amount payable by the Company is 41.67% of the face value of the RCDs. In the next quarter such redemption amount is increased to 53.34% of the face value and it is increased by 5.83% per quarter thereafter. This is a call option (pre-redeemable call option at discount) granted to the Company and is not the obligation of the Company.

If the RCDs are not redeemed by the Company during the above redemption period, the RCD holders have the option to convert them to equity shares of the Company at 95% of the average closing market price of the Company's shares during the month immediately preceding the conversion. If the Thai Baht RCD holders do not exercise the option to convert them within a fixed conversion period, the Company has the obligation to redeem the RCDs through a payment of 0.01% of the face value of the RCDs. The USD RCD holders have no such redemption right.

Recognition and Fair Valuation of RCDs

The Company recognises the RCDs as compound instruments containing both a liability and an equity element. The fair value of the straight debt component of RCDs is recorded as a liability (which will increase in line with their conversion value and fall in accordance with their pre-redeemable call option value) and the difference between the straight debt value and the face value of the RCDs is recognised as a part of equity under the heading "Unrealised gain on redeemable convertible debentures".

The liability element of the RCDs as at 31 December 2001 has been computed as 70.83% of the par value of the RCDs (2000 : 41.67%) and can be summarised as follows :-

(Unit : Thousand Baht)

	CONSOLIDATED / THE COMPANY ONLY	
	2001	2000
Redeemable convertible debentures - zero coupon		
- US dollar - USD 20,936,297		909,465
- USD 14,627,381	648,866	
- Thai Baht	479,703	589,503
Less : Unrealised gain on redeemable convertible debentures	(329,204)	(874,348)
Redeemable convertible debentures - liability element	<u>799,365</u>	<u>624,620</u>

In respect of the issuance of the RCDs as referred to above, the Company increased its authorised share capital by 136,800,000 shares in order to reserve the shares for the exercise of conversion of RCDs.

During the current year, the USD RCDs of USD 6,308,916 was redeemed at the amount of USD 2,628,799 and THB RCDs of Baht 109.8 million was redeemed at the amount of Baht 41.05 million. The redemption was resulted in a total gain of Baht 233.07 million and recorded as an extraordinary item in the earnings statement for the year.

12 STATUTORY RESERVE

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside a reserve at least 5 percent of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered share capital. This reserve is not available for dividend distribution.

In accordance with Section 1202 of the Civil and Commercial Code, each time the subsidiaries declares a dividend payment, it must allocate not less than 5 percent of its earnings to its statutory reserve, until this statutory reserve reaches not less than 10 percent of registered share capital. This reserve is not available for dividend distribution.

13 EXCHANGE LOSSES

Exchange losses for the year ended 31 December 2001 and 2000 were below :-

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2001	2000	2001	2000
Realised exchange losses	23,180	161,106	9,658	93,720
Unrealised exchange losses	52,283	436,662	14,843	95,751
Exchange losses - net	<u>75,463</u>	<u>597,768</u>	<u>24,501</u>	<u>189,471</u>

14 DIRECTORS' REMUNERATION

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

15 GAIN FROM DEBT RESTRUCTURING

These represent gain from debt restructuring of the Company and subsidiaries by net of related expenses which were incurred from debt restructuring. These were in accordance with "Debt Restructuring Agreement" dated 6, 10, 17 July 2000.

16 STATEMENTS OF CASH FLOWS

For the purposes of the statements of cash flows, cash and cash equivalents includes cash on hand and deposits at financial institutions with an original maturity of 3 months or less and not subject to restriction.

17 PROVIDENT FUND

The Company and subsidiaries and their employees have jointly registered provident fund scheme under Provident Fund Act B.E. 2530. The funds are contributed at the rate of 5 percent of their basic salaries by both the Company/the subsidiaries and the employees and managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon retirement, resignation and termination in accordance with the rules of staff provident fund. During the year 2001, approximately Baht 0.84 million (The Company Only : Baht 0.59 million) has been contributed to the fund by the Company and subsidiaries.

18 EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	2001	2000	2001	2000
Number of employees at end of year	920	1,068	66	69
Employee costs for the year (Thousand Baht)	900,210	908,181	113,049	118,617

19 PROMOTIONAL PRIVILEGES

Under the provisions of the Investment Promotion Act B.E. 2520, the subsidiaries were granted certain promotional privileges for their marine transportation, loading and unloading for sea transport and warehousing business. The promotional privileges include, among other things, exemption from the payment of income tax for a period of 5 – 8 years commencing as from the date of first earning operating income on the condition that the vessels owned by the subsidiaries are registered in Thailand. As at 31 December 2001, the twenty-four subsidiaries have registered their 29 vessels under the Thai flag.

Revenues and expenses for 2001 and 2000, classified between promoted and non-promoted business can be summarised below :-

	(Unit : Thousand Baht)					
	Promoted Business		Non-Promoted Business		Total	
	2001	2000	2001	2000	2001	2000
Revenues	3,397,817	3,347,652	1,785,719	2,208,815	5,183,536	5,556,467
Costs and expenses	2,638,786	3,413,368	1,739,794	2,009,347	4,378,580	5,422,715
Net earnings (loss)	759,031	(65,716)	45,925	199,468	804,956	133,752

20 CONTINGENT LIABILITIES

- As at 31 December 2001, the Company is contingently liable as guarantor for the payment of subsidiaries' loans totalling approximately USD 45.77 million and Baht 289.55 million (2000 : USD 66.17 million and Baht 355.26 million)
- As at 31 December 2001, the Company is contingently liable as guarantor for the payment of related companies' loans totalling approximately INR 15 million and USD 6.5 million (2000 : INR 51.60 million and USD 6.86 million).

- c) As at 31 December 2001, the Company and subsidiaries are defendants against maritime claims whereby total liabilities may aggregate up to USD 0.8 million. The ultimate outcome of these claims cannot be determined at this time, but management anticipate that no material liability will arise. Accordingly, no provision has been provided in the accounts.

21. FINANCIAL INSTRUMENTS

The Company and subsidiaries do not hold or issue derivative instruments for speculative or trading purposes.

21.1 Foreign Currency Risk

Almost all revenues and expenditures of the Company and subsidiaries are denominated in U.S. dollars, which provides a natural hedge against the currency risk associated with transactions in U.S. dollars. Consequently, the Company and subsidiaries are exposed to a currency risk in respect of its financial instruments denominated in other currencies. The Company and subsidiaries has certain secured/unsecured baht loans which are not hedged. Therefore, the Company and subsidiaries remain exposed to risk from the appreciation of the Thai Baht against the US dollar. However, the Company's management has decided to maintain an open position of this exposure.

The Company is not exposed to any currency risk from the US dollar redeemable convertible debentures, as these are wholly denominated in US dollar. The Company has issued Thai Baht redeemable convertible debentures. However as there is no repayment obligation under these RCDs, the currency risk is applicable only on the call option value.

Exchange rates applied for translation foreign currency liabilities as at 31 December 2001 can be summarised below :-

	<u>Baht</u>
US dollar	44.3597
Indian rupees	0.9842

21.2 Interest Rate Risk

Since the redeemable convertible debentures are zero coupon, there is no interest rate risk associated with these financial instruments.

As at 31 December 2001 the Company and subsidiaries had the following financial assets and financial liabilities exposed to interest rate risk :-

(Unit : Thousand Baht)

	Amounts of assets/liabilities					Average interest rate (%)			
	Floating interest rate	Fixed interest maturing in		Non-interest bearing	Total				
		1 year or less	Over 1 year			Floating		Fixed	
						THB	USD	THB	USD
Financial assets :-									
Cash and cash equivalents	256,462	-	-	5,128	261,590	-	1.5-1.8%	-	-
Current investment									
- Time deposits	-	14,965	-	-	14,965	-	-	1.6%	1.8%
Trade accounts receivable	-	-	-	120,819	120,819				
Receivable and advances to related parties - other related companies	-	-	-	9,347	9,347				
Total	256,462	14,965	-	135,294	406,721				
Financial liabilities :-									
Long-term loans	2,395,493	-	1,701,730	-	4,097,223	7.0%	3.4%	7.0%	-
Trade accounts payable	-	-	-	119,261	119,261				
Redeemable convertible debentures	-	-	-	799,366	799,366				
Total	2,395,493	-	1,701,730	918,627	5,015,850				

21.3 Credit Risk

The Company has established a credit policy of evaluating the creditworthiness of its charterers and other parties and restricts its dealings to only sound parties along with tight and adequate documentation to minimize the risk of financial loss from default. The Company's management believes that the maximum exposure to credit risk is limited to the carrying amount of receivables less allowance for doubtful debts as stated in the balance sheets.

21.4 Fair Value

Since the majority of financial assets are short-term and loans carry interest at rates close to current market rates, the management believes that the fair value of the Company's and subsidiaries' financial assets and liabilities do not materially differ from their carrying value.

22 FINANCIAL INFORMATION BY SEGMENT

The Company and its subsidiaries' activities predominantly involve the shipping businesses and carries cargo operations to various locations worldwide. As a result, all of the revenues, operating profits (losses) and assets as reflected in these financial statements pertain mainly to the aforementioned industry segment and geographic area.

23 PRESENTATION AND RECLASSIFICATION

The presentation of these financial statements has been made in compliance with the Notification of the Commercial Registration Department dated 14 September 2001, issued under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2000 have been reclassified to conform to the current year's classifications, with no effect on the net loss or shareholders' equity as reported by the previous auditor.

24 APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's directors.