

# Precious Shipping Public Company Limited and subsidiaries

## Notes to consolidated financial statements

For the years ended 31 December 2010 and 2009

### 1. Corporate information

Precious Shipping Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged as a holding company for investment in the marine transportation business. Its registered address is Cathay House, 7th Floor, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500.

### 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited (“the Company”) and the following subsidiaries (“the subsidiaries”), associate and jointly controlled entity:

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2010	2009	2010	2009	2010	2009
<u>Subsidiaries held by the Company</u>								
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99	0.01	0.13	-	5.60
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99	3.65	1.08	11.03	6.41
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99	2.69	2.68	2.65	1.57
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99	1.80	1.95	4.49	6.47

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2010		2009		2010	
			%		%		%	
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99	0.01	0.01	-	1.99
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99	2.19	2.30	4.31	2.32
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99	0.03	0.63	4.17	4.64
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99	0.86	0.91	4.15	2.36
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99	0.74	0.85	4.34	2.10
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99	0.70	0.74	4.53	2.38
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99	-	-	-	0.85
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99	1.56	1.71	4.85	3.71
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99	1.46	1.53	4.42	2.38
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99	3.23	3.40	3.66	4.31
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.41
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99	-	0.01	-	3.02
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99	3.30	3.46	2.70	3.75
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99	0.01	0.01	-	2.74
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.25
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99	-	0.01	-	1.60
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99	0.01	0.07	0.05	0.22
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99	0.01	0.63	1.78	4.52
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99	-	-	-	1.46
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99	0.87	0.85	4.74	2.38
25. Precious Jasmines Limited	Shipowner	Thailand	99.99	99.99	3.48	3.76	4.17	5.79
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99	2.15	2.27	2.69	3.13
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99	0.91	0.97	3.85	1.67
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99	1.09	1.05	3.48	1.82
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99	1.27	1.15	3.36	1.97
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99	1.30	1.23	3.35	1.96
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99	1.35	1.33	3.25	1.96
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99	1.66	1.70	5.39	2.41
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99	0.02	0.41	2.78	1.95
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99	0.02	0.03	-	3.02
35. Nedtex Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
36. Precious Storage Terminals Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
37. Thebes Pte. Limited	Maritime Business*	Singapore	100.00	100.00	-	-	-	-
38. Precious Shipping (Panama) S.A.	Shipowner/ Chartering	Panama	99.99	99.99	0.56	0.37	0.01	0.01
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00	-	-	0.58	0.35
40. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00	6.98	12.47	0.37	0.32
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99	0.03	0.04	-	0.01
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99	0.95	1.25	0.28	0.26

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2010	2009	2010	2009	2010	2009
			%	%	%	%	%	%
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	100.00	-	-	-	-
<u>Subsidiaries held by subsidiaries</u>								
44. Rapid Port Leasing Company Pte. Limited	Marine Construction*	Singapore	100.00	100.00	-	-	-	-
45. PSL Bulk Terminal Company Limited	Holding company**	Mauritius	-	100.00	-	-	-	-
46. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
47. International Lighterage Limited	Holding company	Mauritius	100.00	100.00	0.74	0.70	-	-
48. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06	0.86	1.02	4.83	2.75
49. Regidor Pte. Limited	Maritime Business *	Singapore	100.00	100.00	-	-	-	-
50. Precious Forests Pte. Limited	Shipowner	Singapore	100.00	-	-	-	-	-
51. OSW6 Pte. Limited	Shipowner	Singapore	100.00	-	1.34	-	-	-
52. OSW7 Pte. Limited	Shipowner	Singapore	100.00	-	1.34	-	-	-
53. OSW8 Pte. Limited	Shipowner	Singapore	100.00	-	0.67	-	-	-
54. OSW9 Pte. Limited	Shipowner	Singapore	100.00	-	0.67	-	-	-
<u>Jointly controlled entity</u>								
55. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	50.00	-	-	-	-	-
<u>Subsidiaries of jointly controlled entity</u>								
56. ABC One Pte. Limited	Shipowner	Singapore	50.00	-	0.80	-	-	-
57. ABC Two Pte. Limited	Shipowner	Singapore	50.00	-	0.39	-	-	-
58. ABC Three Pte. Limited	Shipowner	Singapore	50.00	-	0.39	-	-	-
<u>Associate held by a subsidiary</u>								
59. International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	-	-	-	-

\*Business suspended

\*\*The relevant authority in Mauritius approved the dissolution of this company in 2010.

- b) Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Jointly controlled entity is accounted for in the consolidated financial statements using the proportionate shares of the assets, liabilities, revenues and expenses (proportionate consolidation method).

Investment in associate is accounted for using the equity method and is recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investee from the date that significant influence incurs until the date that significant influence ceases.

- c) The financial statements of the subsidiaries and jointly controlled entity are prepared for the same reporting period as the Company and using consistent significant accounting policies as the Company.

The financial statements of the associated company are prepared for a reporting date that differs from that of the Company by no more than three months. In this respect, the accounting periods and differences are consistent and the financial statements are prepared using the same significant accounting policies as the Company.

- d) The assets and liabilities in the financial statements of overseas subsidiaries and jointly controlled entity are translated into Thai Baht using the exchange rate prevailing on the balance sheet date, and revenues and expenses translated using monthly average exchange rates. The resulting differences are shown under the caption of "Translation adjustments" in shareholders' equity.
- e) Material balances and transactions between the Company and subsidiaries, and investments in subsidiaries by the Company and shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.

Material balances and transactions between the Company and jointly controlled entity, and investment in jointly controlled entity by the Company and shareholders' equity of the jointly controlled entity have been eliminated from the consolidated financial statements in proportion with the Company's shareholding in the jointly controlled entity.

- f) Minority interests represent the income or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and shareholders' equity in the consolidated balance sheet.

- 2.3 The separate financial statements, which present investments in subsidiaries and jointly controlled entity under the cost method, have been prepared solely for the benefit of the public.

### 3. Adoption of new accounting standards

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements  
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property
TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations

TFRS 5 (revised 2009)      Non-current Assets Held for Sale and Discontinued Operations

TFRS 6                              Exploration for and Evaluation of Mineral Resources

TFRIC 15                          Agreements for the Construction of Real Estate

- b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

TAS 12                              Income Taxes

TAS 20 (revised 2009)      Accounting for Government Grants and Disclosure of Government Assistance

TAS 21 (revised 2009)      The Effects of Changes in Foreign Exchange Rates

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted.

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred. The adoption of this TAS in 2011 will have the effect of decreasing the beginning balance of retained earnings by approximately Baht 57.00 million.

#### **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

The Company has elected to adopt this TAS in 2011. The adoption of this TAS in 2011 will have no significant effect on the Company's retained earnings.

#### **TAS 21 (revised 2009) The Effects of Changes in Foreign Exchange Rates**

This accounting standard requires an entity to identify its functional currency in accordance with certain conditions in the standard and to record transactions and report its financial position and operating results in this functional currency, which may not be Baht.

The Company has elected to adopt this TAS in 2011. The adoption of this TAS in 2011 will have no significant effect on the Company's retained earnings.

#### **4. Significant accounting policies**

##### **4.1 Revenue and expense recognition**

###### ***Vessel operating income***

Vessel operating income (consisting of Hire income from Time charter and Freight income from Voyage charter) and related expenses are recognised on an accrual basis.

###### ***Rendering of services***

Service revenue is recognised when services have been rendered taking into account the stage of completion.

###### ***Interest income***

Interest income is recognised as interest accrues based on the effective rate method.

###### ***Dividend received***

Dividends received are recognised when the right to receive the dividends is established.

##### **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

##### **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

##### **4.4 Bunker oil**

Bunker oil is valued at the lower of cost (first-in, first-out method) and net realisable value and is charged to vessel operating costs whenever consumed.

#### **4.5 Investments**

- a) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- b) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and jointly controlled entity are accounted for in the separate financial statements using the cost method.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement. If the Company disposes only part of the investment, the carrying value per share used to calculate the cost of the portion sold is determined using the weighted average method.

#### **4.6 Property, plant and equipment**

Land and condominium units are stated at revalued amount less accumulated depreciation (for condominium units). Vessels and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land and condominium units of a subsidiary are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the subsidiary's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets of subsidiary". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.



- When an asset's carrying amount is decreased as a result of a revaluation of the subsidiary's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on assets of subsidiary" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on assets of subsidiary" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### **4.7 Depreciation**

Depreciation of vessels, condominium units and equipment is calculated by reference to their costs or the revalued amounts, after deducting residual value, on the straight-line basis over the following estimated useful lives:

Vessels and equipment	5 - 25 years
Dry-dock and special survey expenses	2 years and 4 years respectively
Condominium units	20 years
Leasehold improvement	5 years
Others	5 years

Depreciation is included in determining income.

No depreciation is provided on land.

#### **4.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.9 Intangible assets and amortisation**

Intangible assets acquired through business combination are initially recognised at their fair value on the date of business acquisition while intangible assets acquired in other cases are recognised at cost. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

Computer software	5 years and 10 years
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#### **4.10 Deferred financial fees**

Financial expenses related to borrowings that are typically incurred on or before signing facility agreements and before actual draw down of the loans are recorded as deferred financial fees. A portion of deferred financial fees proportionate to the amount of the loan facility already drawn is presented as a deduction against the related loan account and amortised using the effective interest rate method over the term of the loans.

The amortisation of deferred financial fees is included in determining borrowing costs.

#### **4.11 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.12 Long-term leases**

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.13 Foreign currencies**

Foreign currency transactions during a particular month are translated into Baht at the average exchange rates ruling during the previous transaction month. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses on exchange are included in determining income.

#### **4.14 Impairment of assets**

At each reporting date, the Company and subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company and subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

Impairment losses are generally recognised in the income statement. However in cases where land and condominium units were previously revalued and the revaluation was taken to equity, the impairment is also recognised in equity up to the amount of any previous revaluation.

In the assessment of asset impairment, if there is any indication that previously recognised impairment losses may no longer exist or may have decreased, the Company and subsidiaries estimate the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the

asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal, which exceeds the carrying amount that would have been determined, is treated as a revaluation increase.

#### **4.15 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **4.16 Provisions**

Provisions are recognised when the Company and subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

##### *Provisions for maritime claims*

Provisions for maritime claims are recorded by the subsidiaries upon receipt of the claim advices from the charterers, based on the maximum liabilities of the subsidiaries which may arise after considering amounts recoverable from insurances as stipulated in the relevant policies.

#### **4.17 Income tax**

Income tax of the Company and subsidiaries in Thailand is provided for in the accounts based on the taxable income determined in accordance with tax legislation.

Overseas subsidiaries calculate corporate income tax in accordance with the method and tax rates stipulated by tax laws in those countries.

#### **4.18 Premium on treasury stock**

Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

#### **4.19 Derivatives**

##### **Cross currency swap contracts**

Receivables and payables arising from cross currency swap contracts are translated into Baht at the exchange rates ruling on the balance sheet date. Gains and losses from the translation are included in determining income.

## **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. The significant accounting judgments and estimates are as follows:

### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

Allowances for doubtful accounts are intended to adjust the value of receivables for probable credit losses. The management uses judgment to establish reserves for estimated losses for each outstanding debtor. The allowances for doubtful accounts are determined through a combination of specific reviews, collection experience, and analysis of debtor aging, taking into account changes in the current economic conditions. However, the use of different estimates and assumptions could affect the amounts of allowances for receivable losses and adjustments to the allowances may therefore be required in the future.

### **Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercises judgment, using a variety of valuation techniques. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and long-term volatility of financial instruments.

### **Property plant and equipment/Depreciation**

In calculating depreciation on vessels, condominium units and equipment, the management estimates useful lives and salvage values of the Company's and subsidiaries' vessels, condominium units and equipment and reviews estimated useful lives and salvage values if there are any changes.

A subsidiary measures land and condominium units at revalued amounts. Fair value from revaluation is determined by independent valuation specialists using market approach. Management determined the assumptions and estimates for independent valuation specialists to use in determining fair value.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### Intangible assets

The initial recognition and measurement of intangible assets and subsequent impairment testing require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 6. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	633	693	622	682
Bank deposits	4,209,677	5,848,089	2,030,910	2,246,000
Bills of exchange	-	27,500	-	27,500
Total	<u>4,210,310</u>	<u>5,876,282</u>	<u>2,031,532</u>	<u>2,274,182</u>

As at 31 December 2010, bank deposits in savings accounts, fixed deposits and bills of exchange carried interests between 0.14% and 2.00% per annum (2009: between 0.16% and 1.22% per annum).

## 7. Current investment

(Unit: Thousand Baht)								
Consolidated financial statements								
Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method		
2010	2009	2010	2009	2010	2009	2010	2009	
Thousand INR	Thousand INR	%	%					
Investment in associate held by a subsidiary								
Southern LPG Limited	64,592	64,592	50.00	50.00	31,716	31,716	19,365	19,365
Less: Allowance for loss on investment							(19,365)	(19,365)
Current investment - net							-	-

A subsidiary (Precious Shipping (Mauritius) Limited) recorded investment in an associated company incorporated in India under equity method only until 31 December 2000, since the Company's management is making efforts to sell this investment. The investment has therefore been classified as current investment, under current assets, and provision for loss on investment in full has been set up. Currently, the associated company is still in the process of liquidation being arranged by the relevant authority entity in India.

#### 8. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2010 and 2009 are aged, based on invoice date, as follows:

		(Unit: Thousand Baht)	
		Consolidated	
		financial statements	
		2010	2009
<b>Age of receivables</b>			
Not over 3 months		32,941	29,378
3 - 6 months		-	1,528
6 - 12 months		914	15,422
Over 12 months		18,917	8,944
Total		52,772	55,272
Less: Allowance for doubtful accounts		(18,917)	(13,194)
Trade accounts receivable - net		33,855	42,078

#### 9. Related party transactions

During the years, the Company, subsidiaries and jointly controlled entity had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2010	2009	2010	2009	
<b>Transactions with subsidiaries</b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	44,658	69,432	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	24,992	71,732	3% of vessels' selling price
Service income - commission from compensation from cancellation of vessel hire contracts	-	-	-	9,366	5% of the compensation from cancellation of vessel hire contracts
Dividend received	-	-	1,530,298	4,700,110	As declared
Interest income	-	-	8,090	5,293	At interest rate of 0.70% per annum (2009: 0.50% per annum)
Condominium rental expenses	-	-	9,333	9,297	Market price
<b>Transaction with jointly controlled entity</b>					
(Eliminated from consolidated financial statements in proportion with the Company's shareholding)					
Vessel construction supervision income	907	-	1,813	-	USD 200,000 per vessel in accordance with contract based on market practice
<b>Transaction with associate</b>					
Dividend received	3,414	-	-	-	As declared
<b>Transactions with related companies</b>					
Air ticket expenses	9,351	14,579	3,709	3,034	Market price
Rental and service expenses	5,769	6,145	4,457	4,831	Market price
Computer purchases	4,617	-	3,896	-	Market price



The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statements	
	2010	2009
<b>Receivables from and advances to related parties</b>		
<b>Subsidiaries</b>		
Precious Minerals Limited	-	9,509
Precious Orchids Limited	33,169	-
Nedtex Limited	202	182
Precious Storage Terminals Limited	128	108
Thebes Pte. Limited	1,143	1,059
Precious Shipping (Panama) S.A.	17,701	7,151
Precious Shipping (Mauritius) Limited	109,880	120,756
Precious Shipping (UK) Limited	15,120	15,810
Great Circle Shipping Agency Limited	130,532	127,746
Precious Projects Pte. Limited	665	360
Total	308,540	282,681
<b>Jointly controlled entity</b>		
Associated Bulk Carriers Pte. Limited	9,028	-
Total receivables from and advances to related parties	317,568	282,681
<b>Payables to and advances from related parties</b>		
<b>Subsidiaries</b>		
Precious Metals Limited	255,808	301,948
Precious Wishes Limited	217,037	124,193
Precious Stones Shipping Limited	23,090	35,847
Precious Minerals Limited	77,031	-
Precious Lands Limited	67,436	90,827
Precious Rivers Limited	84,723	5,355
Precious Lakes Limited	114,775	57,538
Precious Seas Limited	97,259	31,044
Precious Stars Limited	96,895	38,514
Precious Oceans Limited	92,352	68,285
Precious Planets Limited	114,754	114,825

(Unit: Thousand Baht)

	Separate financial statements	
	2010	2009
Precious Diamonds Limited	94,983	35,396
Precious Sapphires Limited	88,151	43,963
Precious Emeralds Limited	48,380	44,393
Precious Rubies Limited	93,756	94,010
Precious Opals Limited	92,218	92,388
Precious Garnets Limited	1	35,815
Precious Pearls Limited	83,806	88,189
Precious Flowers Limited	93,490	93,455
Precious Forests Limited	110,841	107,660
Precious Trees Limited	78,647	78,886
Precious Ponds Limited	100,784	28,668
Precious Ventures Limited	75,426	88,232
Precious Capitals Limited	93,011	59,411
Precious Jasmines Limited	107,859	76,292
Precious Orchids Limited	-	9,779
Precious Lagoons Limited	99,630	28,591
Precious Cliffs Limited	52,104	25,764
Precious Hills Limited	30,373	32,658
Precious Mountains Limited	24,006	23,636
Precious Resorts Limited	44,615	40,152
Precious Cities Limited	55,830	30,540
Precious Comets Limited	76,999	42,601
Precious Ornaments Limited	69,347	69,476
Precious Shipping (Singapore) Pte. Limited	161,242	45,541
Total payables to and advances from related parties	<u>3,016,659</u>	<u>2,183,872</u>

The outstanding balances of the amounts due from/to related parties represent current accounts between the Company and those related parties. The Company's management believes that no allowance for doubtful accounts is necessary. No interest was charged on advances to/from related parties.

# 10. Short-term loans to subsidiary

As at 31 December 2010, short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, amounting to USD 63.80 million (2009: USD 63.80 million), which carry interest at the rate of 0.70% per annum (2009: 0.50% per annum), and are due at call. Movements in the balance of the loans during the year were as follows:

(Unit: Thousand Baht)

	Separate financial statements		
	2009	Increase	Unrealised loss on exchange
			2010
<b>Short-term loans to subsidiary</b>			
Precious Shipping (Singapore)			
Pte. Limited	2,119,481	-	(205,079)
			1,914,402

# 11. Long-term loan to jointly controlled entity

As at 31 December 2010, long-term loan to jointly controlled entity is in the form of promissory note in US Dollar, amounting to USD 8.55 million, has no interest, and is due at call. However, the Company does not intend to call for the loan repayment in the foreseeable future; therefore, the loan is classified as long-term loan. The loan represents Company's contribution (in lieu of equity capital) to the jointly controlled entity in proportion with the Company's shareholding (50%) in the jointly controlled entity. An equal amount is also received by the jointly controlled entity from the other partner shareholder. These loans have been made to enable the 3 SPV subsidiaries of the jointly controlled entity to pay the installments due to the shipbuilder as explained in Note 18. Movements in the balance of the loan during the year were as follows:

(Unit: Thousand Baht)

	Separate financial statements		
	2009	Increase	Unrealised loss on exchange
			2010
<b>Long-term loan to jointly controlled entity</b>			
Associated Bulk Carriers			
Pte. Limited	-	275,970	(19,416)
			256,554

## 12. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries:

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2010	2009	2010	2009	2010	2009	2010	2009
			%	%				
Precious Metals Limited	250,000	250,000	99.99	99.99	250,000	250,000	45,000	255,000
Precious Wishes Limited	230,000	230,000	99.99	99.99	230,000	230,000	345,000	289,800
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	260,000	260,000	26,000	39,000
Precious Minerals Limited	230,000	230,000	99.99	99.99	230,000	230,000	23,000	482,999
Precious Lands Limited	84,000	84,000	99.99	99.99	84,000	84,000	-	142,799
Precious Rivers Limited	234,000	234,000	99.99	99.99	234,000	234,000	-	93,600
Precious Lakes Limited	99,000	99,000	99.99	99.99	99,000	99,000	188,099	257,399
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	30,000	120,000
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	36,750	31,500
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	35,000	70,000
Precious Planets Limited	100,000	100,000	99.99	99.99	100,000	100,000	-	115,000
Precious Diamonds Limited	205,000	205,000	99.99	99.99	205,000	205,000	20,500	174,250
Precious Sapphires Limited	144,000	144,000	99.99	99.99	144,000	144,000	50,400	7,200
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	54,900	183,000
Precious Rubies Limited	84,000	84,000	99.99	99.99	84,000	84,000	-	50,400
Precious Opals Limited	74,000	74,000	99.99	99.99	74,000	74,000	-	210,899
Precious Garnets Limited	379,000	379,000	99.99	99.99	379,000	379,000	56,850	151,600
Precious Pearls Limited	73,000	73,000	99.99	99.99	73,000	73,000	-	197,099
Precious Flowers Limited	76,000	76,000	99.99	99.99	76,000	76,000	-	110,200
Precious Forests Limited	96,000	96,000	99.99	99.99	96,000	96,000	-	81,600
Precious Trees Limited	80,000	80,000	99.99	99.99	80,000	80,000	-	68,000
Precious Ponds Limited	84,000	84,000	99.99	99.99	84,000	84,000	100,800	226,799
Precious Ventures Limited	80,000	80,000	99.99	99.99	80,000	80,000	-	76,000
Precious Capitals Limited	200,000	200,000	99.99	99.99	200,000	200,000	60,000	90,000
Precious Jasmines Limited	147,000	98,000	99.99	99.99	147,000	98,000	110,250	328,299
Precious Orchids Limited	217,000	217,000	99.99	99.99	217,000	217,000	65,100	260,400
Precious Lagoons Limited	140,000	140,000	99.99	99.99	139,999	139,999	-	35,000
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	-	42,000
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	63,000
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	35,000	42,000
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	56,000
Precious Cities Limited	170,000	170,000	99.99	99.99	170,000	170,000	85,000	76,500
Precious Comets Limited	71,100	71,100	99.99	99.99	71,100	71,100	106,649	78,210
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	-	194,084
Nedtex Limited	2,500	2,500	69.99	69.99	648	648	-	-

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended	
							31 December	
	2010	2009	2010	2009	2010	2009	2010	2009
			%	%				
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	4,199	4,199	-	-
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	0.0365	0.0365	-	-
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	250	250	-	-
Precious Shipping (Mauritius) Limited	250	250	100.00	100.00	250	250	-	135
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	363,338	363,338	-	338
Precious Shipping (UK) Limited	250	250	99.99	99.99	250	250	-	-
Great Circle Shipping Agency Limited	100,000	100,000	99.99	99.99	206,995	206,995	-	-
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	0.0345	0.0345	-	-
Total investments in subsidiaries					5,757,124	5,708,124	1,530,298	4,700,110
Less: Allowance for loss on investments in subsidiaries					(5,098)	(5,097)		
Total investments in subsidiaries - net					5,752,026	5,703,027		

The Company offsets the dividend income against amounts receivables from/payables to subsidiaries in the balance sheets.

During the year ended 31 December 2010, there had been the following changes in the investments in subsidiaries.

On 10 February 2010, a local subsidiary (Precious Jasmines Limited) issued new ordinary shares, which the Company purchased in proportion to its shareholding at that date, at par value, for a total of Baht 49.00 million.

On 10 December 2010, Precious Shipping (Singapore) Pte. Limited which is the Company's wholly owned Singaporean subsidiary signed an Agreement with Oswal Shipping Pte. Limited (the "Seller"), a company incorporated in Singapore, the owner of 4 Single Purpose Companies (SPCs), for the purchase of the entire issued and paid-up share capital (Singapore Dollar 1.00 each) of the 4 SPCs, OSW6 Pte. Limited, OSW7 Pte. Limited, OSW8 Pte. Limited and OSW9 Pte. Limited. Each of the 4 SPCs holds 1 New Shipbuilding Contract (Supramax vessel) each with Wuhan Guoyu Logistics Group Co. Ltd and Yangzhou Guoyu Shipbuilding Co. Ltd (both companies jointly referred to as the "Shipyard"). The closing of the transaction including the transfer of the shares in the SPC's to the Buyer was completed in December 2010. The aggregate purchase price of the shares in the 4 SPCs is USD 6,800,004 (USD 1,700,001 for each SPC). The purchase price was paid in installments to the Seller as

stipulated in the Agreement after the SPCs' received Refund Guarantees (RGs), from the Shipyard's Bank and hence the 4 SPCs are now the Company's indirect subsidiaries since the date the shares were transferred.

During the year ended 31 December 2009, there had been the following changes in the investments in subsidiaries.

On 5 January 2009, the Company purchased 4 more shares in each of 37 local subsidiaries from the minority shareholders at par value. However, these share purchases did not affect the Company's shareholding in these subsidiaries.

On 29 January 2009, a local subsidiary (Great Circle Shipping Agency Limited) issued new ordinary shares, which the Company purchased in proportion to its shareholding at that date, at par value, for a total of Baht 40.00 million.

### 13. Investment in jointly controlled entity

#### 13.1 Details of investment in jointly controlled entity

On 11 January 2010, the Company has entered into a joint venture agreement on equal sharing basis with Varada Marine Pte. Limited (formerly named is "PFS Shipping (Singapore) Pte. Limited") which is a company incorporated under the laws of the Republic of Singapore and wholly owned by PFS Shipping (India) Limited, which is part of the ABG Group from India for the purpose of execution and performance of the MOU and the Long-Term Time Charter Contracts (explained in Note 33.4) as well as other similar business of owning and operating cement carriers in India. According to the agreement, a company has been set up in Singapore as the jointly controlled entity, named Associated Bulk Carriers Pte. Limited, ("the ABC Company"). On 11 January 2010, the Company acquired a 50% equity interest in the ABC Company by acquiring 1 share at par of USD 1. Details of the investment in jointly controlled entity are as follows:

		(Unit: Baht)					
Jointly controlled entity	Nature of business	Separate financial statements				Carrying amounts based on cost method	
		Shareholding percentage		Cost			
		2010	2009	2010	2009	2010	2009
		(%)	(%)				
Associated Bulk Carriers Pte. Limited	Holding company	50	-	33	-	33	-

### 13.2 Summarised financial information of jointly controlled entity

The consolidated financial statements include the Company's proportionate shares of the assets, liabilities, revenues and expenses of Associated Bulk Carriers Pte. Limited, according to the proportion under the joint venture agreement as follows.

(Unit: Thousand Baht)

	31 December 2010
Cash and cash equivalents	2,086
Advances for vessel constructions	343,887
Deferred financial fees	4,261
Total assets	350,234
Current liabilities	1,776
Long term loan - net of current portion	83,107
Total liabilities	84,883
Net assets	265,351

(Unit: Thousand Baht)

	For the year ended 31 December 2010
Revenues	15
Administrative expenses	(499)
Exchange gains	1
Finance cost	(7)
Net loss	(490)

On 12 April 2010, the ABC Company has formed the three wholly owned Special Purpose Vehicle subsidiaries (the "SPV subsidiaries") named ABC One Pte. Limited, ABC Two Pte. Limited and ABC Three Pte. Limited which are incorporated under the laws of the Republic of Singapore. Each SPV subsidiary has been incorporated to specifically order, own and operate one cement carrier vessel to perform the Long-Term Time Charter Contracts signed on 2 December 2009 by the Company with Ultratech Cement Limited, Mumbai, India for 3 vessels. The initial registered capital of each SPV subsidiary is US Dollar 1.00, fully paid-up, divided into 1 ordinary share with a par value of US Dollar 1.00 each held by the ABC Company.

## 14. Investment in associate held by a subsidiary

### 14.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

Consolidated financial statements								
Associate's name	Nature of business	Country of incorporation	Shareholding		Cost		Carrying amounts based on equity method	
			percentage					
			2010	2009	2010	2009	2010	2009
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	87,701	87,701	163,110	143,219

(Unit: Thousand Baht)

Consolidated financial statements				
Associate's name	Dividend received from associate held by a subsidiary for the years ended 31 December		Share of income from investment in associate held by a subsidiary for the years ended 31 December	
	2010	2009	2010	2009
International Seaports (Haldia) Private Limited	3,414	-	19,520	22,317

Share of income from investment in associate held by a subsidiary for the years ended 31 December 2010 and 2009, included in the consolidated income statements, was calculated based on the reviewed financial statements of that associate as at 30 September 2010 and 2009.

### 14.2 Summarised financial information of associate held by a subsidiary

(Unit: Thousand Baht)

Associate's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues for the years ended		Net income for the years ended	
	30 September		30 September		30 September		30 September		30 September	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	739,866	837,200	184,961	314,511	538,119	455,557	87,143	99,631

On 30 December 2008, International Lighterage Limited, a subsidiary of the Company (shareholding is through Precious Shipping (Mauritius) Limited), signed an agreement to buy 4.92 million shares of International Seaports (Haldia) Private Limited for a price of INR 110.46 million, from an existing shareholder. This transaction was to be effective only upon receipt of the appropriate approval from the relevant government



agency in the associate's country. During the year 2009, in accordance with the agreement, the subsidiary made an advance payment for the share acquisition to the existing shareholder, amounting to INR 15.93 million or approximately Baht 11.54 million. This amount was recorded as advance for share acquisition in associate held by a subsidiary, under other non-current assets in the balance sheet. Subsequently, the transaction was not completed since the conditions precedent to the completion of the transaction (particularly the receipt of statutory approvals) were not satisfied. Therefore, the agreement was cancelled and the subsidiary received the repayment in September 2010 of the whole amount of advance paid for the share acquisition.

**15. Other long-term investment**

The Company acquired 2,026,086 ordinary shares in TMN Company Limited with a par value of Baht 10 each, representing a 3% equity interest. The Company has paid up Baht 5 per share, or a total of Baht 10.13 million.

## 16. Property, plant and equipment

(Unit: Thousand Baht)

### Consolidated financial statements

	Revaluation basis	Cost basis					
	Land and condominium units	Vessels and equipment			Furniture, fixtures and office equipment		
		Vessels and equipment	Dry-dock and special survey expenses	Total	Motor vehicles	Leasehold improvement	Total
<b>Cost/Revaluation amount</b>							
31 December 2009	446,528	12,225,817	740,518	12,966,335	56,110	20,074	13,502,709
Acquisitions/transfer in	249	724,427	231,642	956,069	4,917	-	961,235
Disposals/transfer out/write-off	-	(1,378,937)	(369,490)	(1,748,427)	(8,010)	-	(1,756,437)
31 December 2010	446,777	11,571,307	602,670	12,173,977	53,017	20,074	12,707,507
<b>Accumulated depreciation</b>							
31 December 2009	197,601	5,114,345	342,574	5,456,919	42,116	15,315	5,721,787
Depreciation for the year	9,836	466,329	253,116	719,445	6,112	2,412	740,400
Depreciation for revaluation surplus	56,164	-	-	-	-	-	56,164
Depreciation on disposals/transfer out/ write-off	-	(1,007,181)	(314,524)	(1,321,705)	(7,217)	-	(1,328,922)
31 December 2010	263,601	4,573,493	281,166	4,854,659	41,011	17,727	5,189,429
<b>Net book value</b>							
31 December 2009	248,927	7,111,472	397,944	7,509,416	13,994	4,759	7,780,922
31 December 2010	183,176	6,997,814	321,504	7,319,318	12,006	2,347	7,518,078
<b>Depreciation for the year</b>							
2009							934,609
2010							796,564

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost</b>				
31 December 2009	28,342	18,898	10,321	57,561
Acquisitions/transfer in	4,157	-	-	4,157
Disposals/transfer out/write-off	(7,896)	-	-	(7,896)
31 December 2010	24,603	18,898	10,321	53,822
<b>Accumulated depreciation</b>				
31 December 2009	19,030	14,140	7,169	40,339
Depreciation for the year	4,228	2,411	1,922	8,561
Depreciation on disposals/ transfer out/write-off	(7,111)	-	-	(7,111)
31 December 2010	16,147	16,551	9,091	41,789
<b>Net book value</b>				
31 December 2009	9,312	4,758	3,152	17,222
31 December 2010	8,456	2,347	1,230	12,033
<b>Depreciation for the year</b>				
2009				9,285
2010				8,561

In December 2009, a subsidiary arranged for an independent professional valuer to appraise the value of its land and condominium units, using the market approach as per the appraisal report dated 4 December 2009. The subsidiary already recorded the increase from revaluation amounting to Baht 120.05 million.

Had the land and condominium units been carried in the financial statements based on historical cost, their net book value as of 31 December 2010 and 2009 would have been as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2010	2009
Land and condominium units	25,037	29,935

During the year ended 31 December 2010, local subsidiaries sold and delivered 5 vessels (2009: 20 vessels) and had gains on sales of vessels and equipment totaling Baht 390.28 million (2009: Baht 760.28 million) as presented in the consolidated income statements.

As at 31 December 2010, certain vessels and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 53.50 million (2009: Baht 604.99 million) in the consolidated financial statements and Baht 28.44 million (2009: Baht 9.67 million) in the separate financial statements.

As at 31 December 2010, the subsidiaries have mortgaged 7 vessels (2009: 5 vessels) with net book value of Baht 2,912.19 million (2009: Baht 1,574.00 million) with banks to secure long-term loans as referred to in Note 22.

## 17. Intangible assets

Details of intangible assets which is computer software are as follows:

	(Unit: Thousand Baht)
	Consolidated financial statements/ Separate financial statements
<b>Cost</b>	
31 December 2009	58,969
Acquisitions	930
Transfer in from equipment	1,901
31 December 2010	61,800
<b>Accumulated amortisation</b>	
31 December 2009	12,057
Amortisation for the year	10,926
Transfer in from equipment	1,707
31 December 2010	24,690
<b>Net book value</b>	
31 December 2009	46,912
31 December 2010	37,110
<b>Amortisation for the year</b>	
2009	10,586
2010	10,926

## **18. Advances for vessel constructions**

### **The Company**

On 20 July 2007, 14 September 2007 and 11 February 2008, the Company entered into 18 contracts with a shipbuilder to construct 18 vessels (12 handysize vessels and 6 supramax vessels) classified as bulk carriers at an aggregate price of approximately USD 588.00 million (or approximately USD 30.00 million per handysize vessel and USD 38.00 million per supramax vessel). The contract price will be paid in 5 installments of 20% each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favour of the Company, guaranteeing the refund of each installment (with interest at 7.5% per annum) in case of a failure by the shipbuilder to perform per the contract. The vessels are expected to be delivered in the years 2010 to 2013. However, if the shipbuilder can deliver the vessels earlier, the Company has to pay an aggregate sum of incentive amount not exceeding USD 18.52 million to the shipbuilder for all the 18 vessels.

### **Subsidiaries**

The four SPCs acquired as explained in Note 12 holds 1 New Shipbuilding Contract each with Wuhan Guoyu Logistics Group Co. Ltd and Yangzhou Guoyu Shipbuilding Co. Ltd (both companies jointly referred to as the “Shipyard”). The aggregate Contract Prices of the 4 New Shipbuilding Contracts to construct 4 Supramax vessels in China is USD 98.00 million (USD 24.50 million per each New Shipbuilding Contract or vessel). The contract price is payable in 5 installments of 20% each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favor of each SPCs covering the refund of all the installments paid to the Shipyard along with the certificate from Classification Society of relevant stage completion of the ship. The vessels are expected to be delivered in the year 2012.

### **Jointly controlled entity**

On 22 April 2010, the three SPV subsidiaries signed the respective shipbuilding contracts with the ABG Shipyard Limited, India (the “builder”) to construct 1 vessel each classified as cement bulk carrier at price of USD 28.50 million per vessel or USD 85.50 million in aggregate for all the three vessels. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company’s interest in all the contracts is 50% of the aggregate contract price, which is USD 42.75 million. The contract price will be paid in 5 installments of 20% each, with each installment (except the last installment which would be payable on delivery) paid only on the submission of a bank guarantee in favor of each SPV subsidiary,

guaranteeing the refund of each respective installment (with interest at 7.50% per annum) in case of a failure by the builder to perform per the contract. The vessels are expected to be delivered in the years 2011 to 2013.

The ABC Company may order one more vessel (through another wholly owned SPV subsidiary) if the charterer exercises the option to take one more vessel on time charter. The total amount to be paid for acquiring 4 vessels (if the option for the 4th vessel is exercised) would be USD 114.00 million out of which the Company's share (50%) would be USD 57.00 million.

As at 31 December 2010 and 2009, advances for vessel construction are presented below.

	(Unit: Thousand Baht)			
	Consolidated financial		Separate financial	
	statements		statements	
	2010	2009	2010	2009
Balance at beginning of year	7,809,282	4,720,520	7,809,282	4,720,520
Additions	1,429,272	3,007,335	199,099	3,007,335
Acquisitions of subsidiaries (Note 12)	205,029	-	-	-
Interest costs	59,551	63,727	59,493	63,727
Transfer from deferred financial fees	3,201	8,454	3,195	8,454
Adjustment	(6,201)	-	(6,201)	-
Other costs	17,207	9,246	17,049	9,246
Balance at end of year	<u>9,517,341</u>	<u>7,809,282</u>	<u>8,081,917</u>	<u>7,809,282</u>

During the year 2010, the Company made payment of installments to a shipbuilder, amounting to USD 6.00 million or approximately Baht 199.10 million (2009: USD 86.00 million or approximately Baht 3,007.34 million). All of these have been financed by overseas and local commercial banks.

During the year 2010, the 4 SPC subsidiaries (shareholding through Precious Shipping (Singapore) Pte. Limited) made payment of installments to the shipyard in China, amounting to USD 29.40 million or approximately Baht 886.45 million (2009: nil).

During the year 2010, 3 SPV subsidiaries wholly held by the ABC Company (the jointly controlled entity) made payment of installments against the respective 3 shipbuilding contracts signed by each of the 3 SPV subsidiaries to the shipbuilder, amounting to USD 22.80 million in aggregate or approximately Baht 687.77 million. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company's portion is 50% of the aggregate amount, which is USD 11.40 million or approximately Baht 343.72 million.

During the year ended 31 December 2010, the amount of borrowing costs capitalised was approximately Baht 59.55 million (2009: Baht 63.73 million) in the consolidated financial statements and approximately Baht 59.49 million (2009: Baht 63.73 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.45% - 2.70% (2009: 1.45% - 1.74%) in the consolidated financial statements and was 1.45% - 1.74% (2009: 1.45% - 1.74%) in the separate financial statements.

#### 19. Deferred financial fees

As at 31 December 2010 and 2009, deferred financial fees are presented below.

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Balance at beginning of year	291,253	330,740	291,253	330,740
Additions	110,062	2,948	104,381	2,948
Write-off	-	(2,658)	-	(2,658)
Transfer to advances for vessel constructions	(3,201)	(8,454)	(3,195)	(8,454)
Transfer to interest expense	(6,214)	-	-	-
Transfer to subsidiaries as a borrower	-	-	(21,767)	(20,809)
Adjustment	6,201	-	6,201	-
Transfer to present as a deduction against long-term loans	(21,293)	(31,323)	(4,326)	(10,514)
Balance at end of year	<u>376,808</u>	<u>291,253</u>	<u>372,547</u>	<u>291,253</u>

During the year 2009, the Company had written off Baht 2.66 million being a part of the deferred financial fees paid in earlier years for credit facilities. The amount of write-off had been estimated on a pro-rata basis to the amount of reduction of the facilities.

During the year 2010, deferred financial fee amounting to Baht 21.29 million (2009: Baht 31.32 million) was transferred to present as a deduction against long-term loans in liabilities in the consolidated balance sheet and amounting to Baht 4.33 million (2009: Baht 10.51 million) in the separate balance sheet, in proportion to the drawdown amount, as discussed in Note 22.

## **20. Advances received from vessel sales**

In December 2009, a local subsidiary entered into a Sale Agreement termed as Memorandum of Agreement with an overseas company to sell the subsidiary's second-hand vessel. The buyer paid deposit 20% of the selling price of the vessel and the remaining balance is to be paid on delivery of the vessel.

As at 31 December 2009, cash and cash equivalents included advance received amounting to USD 0.87 million or approximately Baht 29.16 million which was deposited in nominated joint bank account of the buyer and seller. Such advance received along with the balance of the sale price (80% of the selling price of each of the vessels) was subsequently transferred to the bank account of the subsidiary on 7 January 2010 and the respective vessel was delivered to the buyer, in accordance with the respective Memorandum of Agreement.

## **21. Accrued employee bonus**

As at 31 December 2010 and 2009, accrued employee bonus can be separated based on the year the payment is to be made to employees, as follows:

(Unit: Thousand Baht)

Payable within	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
1 year	137,114	165,690	126,013	152,196
2 - 3 years	76,645	173,011	70,383	159,090
Total	<u>213,759</u>	<u>338,701</u>	<u>196,396</u>	<u>311,286</u>



## 22. Long-term loan facilities

As at 31 December 2010 and 2009, long-term loans accounts are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements							
	Loan facilities for financing the construction and acquisition of new vessels				Loan facilities for purchasing of vessels			
	Facility 1		Facility 2		Facility 1		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Total long-term loans	3,429,541	3,593,000	85,931	-	1,471,049	734,273	4,986,521	4,327,273
Less: Deferred financial fees	(19,092)	(14,765)	(1,415)	-	(36,361)	(20,809)	(56,868)	(35,574)
Total	3,410,449	3,578,235	84,516	-	1,434,688	713,464	4,929,653	4,291,699
Less: Current portion of long-term loans	(24,100)	-	(1,409)	-	(122,101)	(14,864)	(147,610)	(14,864)
Long-term loans - net of current portion	3,386,349	3,578,235	83,107	-	1,312,587	698,600	4,782,043	4,276,835

(Unit: Thousand Baht)

	Separate financial statements	
	Loan facilities for financing the construction and acquisition of new vessels	
	Facility 1	
	2010	2009
Total long-term loans	3,429,541	3,593,000
Less Deferred financial fees	(19,092)	(14,765)
Total	3,410,449	3,578,235
Less: Current portion of long-term loans	(24,100)	-
Long-term loans - net of current portion	3,386,349	3,578,235

Movements in the long-term loan accounts during the year ended 31 December 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			
	Loan facilities for financing the construction and acquisition of new vessels		Loan facilities for purchasing of vessels	
	Facility 1	Facility 2	Facility 1	Total
Balance as at 31 December 2009	3,578,235	-	713,464	4,291,699
Add: Additional borrowings	199,099	85,931	768,075	1,053,105
Less: Repayment	-	-	(31,299)	(31,299)
Unrealised exchange gains	(362,559)	-	-	(362,559)
Deferred financial fees	(4,326)	(1,415)	(15,552)	(21,293)
Balance as at 31 December 2010	3,410,449	84,516	1,434,688	4,929,653

(Unit: Thousand Baht)

	Separate financial statements
	Loan facilities for financing the construction and acquisition of new vessels
	Facility 1
Balance as at 31 December 2009	3,578,235
Add: Additional borrowings	199,099
Less: Unrealised exchange gains	(362,559)
Deferred financial fees	(4,326)
Balance as at 31 December 2010	3,410,449

The details of each loan facility are summarised as follows:

## 22.1 Loan facility for financing the constructions and acquisitions of new vessels

### Facility 1

On 3 July 2008, the Company entered into a secured loan agreement with overseas and local commercial banks to obtain a loan facility of USD 398.40 million carrying interest at LIBOR plus margin. The loan is to be used to finance the construction and acquisition of 15 new vessels (9 handysize vessels and 6 supramax vessels) out of the 18 new vessels already ordered by the Company and the total loan amount is equivalent to 80% of the aggregate contract prices of the 15 vessels. The drawing, final maturity, repayment and security of the loan are summarised as follows:

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding contracts whereby the aggregate of all drawings per vessel would be equivalent to 60% of the contracted price of each vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of each vessel is to be drawn upon delivery of the respective vessel out of which the entire pre-delivery facility amount of each vessel will be repaid
Final maturity	Delivery of each vessel	10 years from delivery of the first vessel

Facility / Description	Pre-delivery facility	Post-delivery facility
Repayment	To be repaid in one lump sum upon delivery of the respective vessel	Each tranche (aggregate drawings in respect of each vessel) is to be amortised (repaid) in quarterly installments, each equivalent to 1/60th of the post-delivery facility amount, and in a balloon amount equal to the balance under such tranche on final maturity. The first quarterly repayment of each tranche shall commence 3 months after delivery of each respective vessel
Security	<ul style="list-style-type: none"> <li>a) Corporate guarantee from the Company if the Company is not a joint borrower</li> <li>b) 1st priority assignment of the shipbuilding contracts</li> <li>c) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with the Company</li> </ul>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessels</li> <li>b) Pledge of the vessel-owning subsidiaries' shares</li> <li>c) Corporate guarantee from the Company if the Company is not a joint borrower</li> <li>d) 1st priority assignment of requisition compensation in respect of the vessels</li> <li>e) 1st priority assignment of all insurance proceeds</li> <li>f) 1st priority assignment of the earnings of the vessels and pledge over the earnings and retention account of each vessel</li> </ul>

The credit facility agreement contains covenants that, among other things, require the Company to maintain certain financial ratios which include:

- a) maintenance of a funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a funded debt to EBITDA ratio not exceeding 5:1
- c) maintenance of minimum free liquidity of USD 100,000 per vessel

As at 31 December 2010, this long-term loan facility which has not yet been drawn down amounted to USD 285.20 million (2009: USD 291.20 million).

## Facility 2

On 28 October 2010, ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (referred to as the "SPV subsidiary" in this note) of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company) where the Company holds 50% interest, entered into a Secured Loan Agreement of USD 22.80 million with an international bank to fund 80% of the Contract Price of the new cement carrier ordered by the subsidiary on 22 April 2010. The loan carries interest at LIBOR plus

margin. The drawing, final maturity, repayment and security of the loan are summarised as follows:

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding contract whereby the aggregate of all drawings would be equivalent to 60% of the contract price of the vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of vessel is to be drawn upon delivery of the vessel out of which the entire pre-delivery facility amount (60% of the contract price) will be repaid.
Final maturity	Delivery of vessel	10 years from delivery of the vessel
Repayment	To be repaid in one lump sum (from post-delivery facility) upon delivery of vessel	The aggregate drawings (the post-delivery facility amount) are to be repaid in quarterly installments, each equivalent to 1/60th of the post-delivery facility amount with the balance payable as a balloon with last repayment installment on maturity. The first quarterly repayment shall commence 3 months after delivery of the vessel.
Security	<ul style="list-style-type: none"> <li>a) Corporate Guarantee from Associated Bulk Carriers Pte. Limited (the Shareholder of the SPV subsidiary)</li> <li>b) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 Companies in proportion to the respective partner's interest in the SPV subsidiary, which is 50% from the Company and 50% from the JV partner</li> <li>c) 1st priority assignment of the shipbuilding contract</li> <li>d) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract</li> </ul>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessel</li> <li>b) 1st priority assignment of Earnings and Time Charter with Charterer</li> <li>c) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 companies in proportion to the respective partner's interest (50% holding by each partner) in the SPV subsidiary for an aggregate amount of upto USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million.</li> <li>d) Pledge of the shares of ABC One Pte. Ltd. (the SPV subsidiary)</li> <li>e) 1st priority assignment of insurance proceeds</li> <li>f) 1st priority assignment of the earnings of the vessel and a charge over the earnings account and retention account of the vessel</li> </ul>

The credit facility agreement contains covenants that, among other things, require ABC One Pte. Ltd. (and the Shareholder, viz. Associated Bulk Carriers Pte. Limited) to maintain certain financial ratios which include:

- a) maintenance of EBITDA of no less than 1.1 times Total Debt Service
- b) maintenance of Total Shareholders' Equity to the aggregate of Total Shareholders' Equity and Total Debt of no less than 20%.

As at 31 December 2010, the undrawn amount against this long-term loan facility was USD 17.10 million. Since the Company holds 50% of the total shareholding in each SPV subsidiary (through the ABC Company), the Company's portion is 50% of the aggregate amount, which is USD 8.55 million.

## **22.2 Loan facilities for purchasing of vessels**

### **Facility 1**

On 23 February 2009, 29 October 2009 and 5 February 2010, the Company and local subsidiaries entered into an amended and restated agreement (of the main agreement dated 18 January 2007), with local commercial banks to obtain credit facilities, as detailed below.

- a) A term loan of Baht 8,750.00 million carrying interest at MLR minus 1.00% per annum. The loan is to be used for purchase of vessels, to be drawn down within 29 December 2010 (availability period), and to be repaid in equal quarterly installments over a period of 12 years (commencing after the completion of a grace period of one year from the date of first drawdown).
- b) A foreign currency exchange facility of USD 5.00 million.
- c) A swap facility of Baht 8,750.00 million is to be used for convert the Thai Baht loan (as and when the facility is drawn) to convert into US Dollar so that there is no foreign exchange exposure for the Company and local subsidiaries when the loan facility is utilised. The swap period and payments correspond to the drawdown and loan repayment schedule. A swap fee is payable at a fixed rate per annum based on the market rates as and when the loan drawdowns are made and converted into US Dollar.

The credit facilities secured by the mortgage of the subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders.

The credit facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- a) maintenance of a total debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of a total debt to EBITDA ratio not exceeding 5:1
- c) maintenance of minimum free liquidity of USD 100,000 per vessel
- d) maintenance of debt service coverage ratio of at least 1.1:1

During the year 2010, a local subsidiary had drawn down Baht 768.08 million (2009: Baht 734.27 million) from the facility from the local commercial banks and the entire loan has been converted to a dollar loan of USD 23.75 million (2009: USD 22.15 million) with the said local commercial banks in order to hedge the foreign exchange rate exposure associated with the loans. The swap period and payments correspond to the drawdown and loan repayment schedule. A swap fee is payable at a fixed rate per annum based on the market rates as and when the loan drawdowns are made and converted into US Dollar.

As at 31 December 2010, the undrawn amount against this facility was Baht 7,247.65 million (2009: Baht 8,015.73 million). The Company and subsidiaries are currently in discussions with the lenders to revise some of the terms of the facility including the extension of the availability period of the balance facility and the Company expects to document the amendments to loan agreement with the lenders shortly.

## **Facility 2**

On 14 January 2010, the Company entered into a new Secured Term Loan Facility Agreement of USD 250.00 million with the Bangkok Branch of an international bank and 4 local banks to fund additional second-hand vessels which the Company may want to buy. The loan is carrying interest at LIBOR plus margin. The loan is to be used for purchase of vessels, to be drawn down within 30 June 2011 (availability period), and to be repaid in equal quarterly installments over a period of 8 years commencing from the end of the availability period.

The credit facility has to be secured by the mortgage of the shipowning subsidiaries' vessels, the pledge of the subsidiaries' shares, the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries, and the assignment of the revenues earned from the mortgaged vessels of the subsidiaries to the lenders when the facility is drawn down.

The credit facility agreement contains covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios which include:

- a) maintenance of net funded debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of net funded debt to EBITDA ratio not exceeding 5:1
- c) maintenance of minimum free cash balance of USD 100,000 per vessel
- d) maintenance of debt service coverage ratio of at least 1.1:1

As at 31 December 2010, the Company and subsidiaries have not yet drawn down this long-term loan facility.

### 23. Revaluation surplus on assets of subsidiary

This represents surplus arising from revaluation of land and condominium units. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

(Unit: Thousand Baht)

	Consolidated financial statements	
	2010	2009
Balance at beginning of year	203,452	103,712
Add: Revaluation increase	-	120,053
Less: Amortisation	(56,164)	(20,313)
Balance at end of year	147,288	203,452

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

### 24. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

According to Section 1202 of the Thai Civil and Commercial Code, a subsidiary (incorporated under Thai Laws) is required to set aside a statutory reserve equal to at least 5% of its income each time the company pays out a dividend, until such reserve reaches 10% of its registered share capital. The statutory reserve can neither be offset against deficit nor used for dividend payment.



## 25. Corporate social responsibility (CSR) reserve

The Company has earmarked 0.5% of its net income every year as a reserve towards CSR activities. The Company expects to earmark amounts based on the same percentage of net income annually on a cumulative basis, but subject to a minimum of Baht 1.75 million and a maximum of Baht 25.00 million per year. The reserve was approved by a meeting of the Board of Directors of the Company on 14 August 2008 and by the Annual General Meeting of the Company's shareholders on 17 March 2010.

During the year 2010, the Company set aside Baht 4.52 million (2009: Baht 15.24 million) to a reserve for corporate social responsibility activities and reversed Baht 27.97 million (2009: Baht 2.15 million) of such reserve when the Company made related donation payments.

## 26. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Salary, wages and other benefits				
of employees and crews	656,641	1,182,599	111,792	281,687
Rental expenses from operating				
lease agreements	5,136	5,589	3,724	3,539

## 27. Corporate income tax

No corporate income tax was payable for the years 2010 and 2009, since the Company had tax losses brought forward from previous years.

Corporate income tax of the local subsidiaries has been calculated at the rate of 30% on the income from the non-exempt activities, after adding back certain provisions and expenses which are disallowed for tax computation purposes.

In accordance with the Director - General's Notification on Income Tax No. 72 dated 1 January 1998, the local subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520. Income tax on income from sales of vessels of local subsidiaries can be exempted subject to certain imposed

conditions as stipulated in the Royal Decree issued under the Revenue Code No. 299 on reduction of or exemption from income taxes, dated 21 September 1996. The conditions include the purchase of vessels to replace sold vessels and registration of the vessel under the Thai flag, within one year of the sale. The replacement vessel must also have a useful life no shorter and a capacity no smaller than the sold vessel. If income from sales of vessels is qualified for exemption, the remaining cost of the sold vessel may not be treated as an expense in determining net income for tax purposes.

Corporate income tax of the overseas subsidiaries has been calculated by applying the applicable statutory rates of the relevant countries.

## **28. Promotional privileges**

The Company has been granted promotional privileges under the Investment Promotion Act, as approved by the Board of Investment under BOI certificate No. 1405/2550 dated 23 March 2007. Subject to certain imposed conditions, the significant privileges are the rights to employ skilled foreigners to work within the scope of duties approved by the Board of Investment and for the period for which they are permitted to stay in Thailand, permission to own land in an amount considered appropriate by the Board of Investment, and permission to transfer funds in or out of Thailand in foreign currencies.

Under the provisions of the Investment Promotion Act B.E. 2520, the subsidiaries were granted certain promotional privileges for their marine transportation. The promotional privileges include, among other things, exemption from the payment of income tax for a period of 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 2010, the subsidiaries have registered their 11 vessels (2009: 13 vessels) under the Thai flag.

Revenues and expenses for 2010 and 2009 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit: Thousand Baht)

	Non-promoted operations							
	Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72				Operations not eligible for corporate income tax exemption		Total	
	Promoted operations							
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	1,858,538	3,600,776	1,219,530	1,888,664	1,999,747	5,877,757	5,077,815	11,367,197
Costs and expenses	(970,652)	(1,681,026)	(712,168)	(992,584)	(893,224)	(1,030,609)	(2,576,044)	(3,704,219)
Net income	887,886	1,919,750	507,362	896,080	1,106,523	4,847,148	2,501,771	7,662,978

## 29. Basic earnings per share

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

## 30. Segment information

The Company and its subsidiaries' operations involve the business of owning and internationally operating (chartering) small handy sized dry bulk ships, on a tramp shipping basis without any set routes. This is the only industry segment in which the Company and its subsidiaries mainly operate and almost entire revenues are generated from this segment. As such, no segmental bifurcation is applicable since the operations are mainly limited to only one aforesaid segment.

The business activity in the segment, i.e. the chartering of the ships, is undertaken in two ways, viz., Time charter and Voyage charter. Under Time charter, the charterer (customer) pays charter hire (at an agreed daily rate, almost always in US Dollars) to operate the vessel for an agreed time period. In this case, the charterer bears all voyage expenses including port disbursements and costs of bunker fuel. Under Voyage charter, the charterer pays freight on a per ton basis (almost always in US Dollars) to transport a particular cargo between two or more designated ports. In this case, the Company (or subsidiary) bears all the voyage expenses. The voyage expenses are presented in the financial statements as voyage disbursements and bunker consumption. Under Time charter, the ship routes are determined or controlled exclusively by the charterers and under Voyage charters, the route varies from time to time for each voyage, which is determined by a number of factors which are totally beyond the Company's and subsidiaries' control. As such, reporting by geographical segments would not be practical or meaningful, and could in fact be misleading.

In view of the above, segment information is limited to the bifurcation of the total vessel operating income (and voyage expenses in respect of Voyage charter) derived from Time charter and Voyage charter presented as “Hire income” and “Freight income” respectively, as under:

(Unit: Thousand Baht)

	Consolidated financial statements									
	Time charter		Voyage charter		Total		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Hire income	2,810,421	5,153,491	-	-	2,810,421	5,153,491	-	(44,391)	2,810,421	5,109,100
Freight income	-	-	186,757	503,231	186,757	503,231	(44,074)	(88,686)	142,683	414,545
Total vessel operating income	2,810,421	5,153,491	186,757	503,231	2,997,178	5,656,722	(44,074)	(133,077)	2,953,104	5,523,645
Voyage disbursements	-	-	(64,979)	(239,339)	(64,979)	(239,339)	44,074	133,077	(20,905)	(106,262)
Bunker consumption	-	-	(5,174)	(105,422)	(5,174)	(105,422)	-	-	(5,174)	(105,422)
Total voyage expenses	-	-	(70,153)	(344,761)	(70,153)	(344,761)	44,074	133,077	(26,079)	(211,684)
Net vessel operating income/time charter equivalent income	2,810,421	5,153,491	116,604	158,470	2,927,025	5,311,961	-	-	2,927,025	5,311,961

During the year 2009, compensation from cancellation of vessel hire contracts amounting to approximately Baht 184.53 million had been recorded in “Hire income” account in the income statement.

### 31. Provident fund

The Company and subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company/the subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by Kasikornbank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company and subsidiaries contributed Baht 2.67 million (2009: Baht 2.66 million) to the provident fund (Separate financial statements: Baht 2.42 million, 2009: Baht 2.40 million).

### 32. Dividends paid

The dividends were approved for paying to the Company’s ordinary shareholders as at the closing date of the share register, after deduction of the shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving dividend, from the total number of shares outstanding (1,039,520,600 shares).

Details of dividends declared and payments in the year 2010 consist of the following:

	Approved by	Qualified ordinary share (shares)	Shares held by the registrar (shares)	Dividend per share (Baht)	Dividend paid (Million Baht)	Paid date
a) Interim dividend based on the retained earnings as of 30 September 2010	Board of Directors' meeting on 3 November 2010	1,039,380,600	140,000	0.20	207.88	30 November 2010
b) Interim dividend based on the retained earnings as of 30 June 2010	Board of Directors' meeting on 5 August 2010	1,039,260,900	259,700	0.20	207.85	2 September 2010
c) Interim dividend based on the retained earnings as of 31 March 2010	Board of Directors' meeting on 6 May 2010	1,039,377,400	142,200	0.25	259.84	4 June 2010
d) Final dividend based on the retained earnings as of 31 December 2009	Annual General Meeting of the shareholders on 17 March 2010	1,039,371,120	149,480	0.60	623.62	29 March 2010
Total				<u>1.25</u>	<u>1,299.19</u>	

Details of dividends declared and payments in the year 2009 consist of the following:

	Approved by	Qualified ordinary share (shares)	Shares held by the registrar (shares)	Dividend per share (Baht)	Dividend paid (Million Baht)	Paid date
a) Interim dividend based on the retained earnings as of 30 September 2009	Board of Directors' meeting on 9 November 2009	1,039,350,820	169,780	0.40	415.74	4 December 2009
b) Interim dividend based on the retained earnings as of 30 June 2009	Board of Directors' meeting on 5 August 2009	1,039,360,620	159,980	0.40	415.74	2 September 2009
c) Interim dividend based on the retained earnings as of 31 March 2009	Board of Directors' meeting on 12 May 2009	1,039,378,300	142,300	0.40	415.75	8 June 2009
d) Final dividend based on the retained earnings as of 31 December 2008	Annual General Meeting of the shareholders on 18 March 2009	1,039,380,300	140,300	0.80	831.50	27 March 2009
Total				<u>2.00</u>	<u>2,078.73</u>	

### 33. Commitments and contingent liabilities

#### 33.1 Vessel building contracts commitments

As at 31 December 2010 and 2009 the Company, subsidiaries and jointly controlled entity had future minimum payment commitments under vessel building contracts as detailed below.

	2010		2009	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	357.20	10,821.84	363.20	12,173.30
Subsidiaries	68.60	2,078.33	-	-
Jointly controlled entity - proportion with the Company's shareholding (50%)	31.35	949.79	-	-
Total	457.15	13,849.96	363.20	12,173.30

#### 33.2 Obligations in respect of charges for management of the undrawn portion of loan facilities

As at 31 December 2010, the Company and subsidiaries had obligations in respect of the charges for management of the undrawn portion of loan facilities, which can be summarised as follows:

Facility	Commitment fees payable by Company	Currency	Maximum facility amount per loan agreement	Undrawn loan balance as at 31 December 2010	Terms of payment	Payable upto
<b>Loan facility for financing the construction and acquisition of new vessels</b>						
Facility 1	0.35% per annum of undrawn loan balance	million USD	398.40	285.20	Every three months starting from 3 July 2008 until the end of the drawdown period	Upon delivery of each vessel
Facility 2	1.20% per annum of undrawn loan balance	million USD	22.80	17.10	Every three months starting from 28 October 2010 until the end of the drawdown period	Upon delivery of the vessel
<b>Loan facilities for purchasing of vessels</b>						
Facility 1	1.00% per annum of undrawn loan balance	million Baht	8,750.00	7,247.65	Quarterly starting from 19 January 2009 until the end of the drawdown period	29 December 2010
Facility 2	0.70% per annum of undrawn loan balance	million USD	250.00	250.00	Quarterly starting from 31 March 2010 until the end of the drawdown period	30 June 2011

Loan facility for financing the construction and acquisition of new vessels facility 2 the maximum facility amount per contract is USD 22.80 million and the undrawn loan balance as at 31 December 2010 is USD 17.10 million. Since the Company holds 50% of the total shareholding in the SPV subsidiary (through the ABC Company), the maximum facility amount per contract and the undrawn loan balance as at 31 December 2010 of the Company's portion is 50% of the aggregate amount, which is USD 11.40 million and USD 8.55 million, respectively.

Availability period of facility 1 for purchasing of vessels expired on 29 December 2010. As such, the obligation in respect of commitment fees stated above for the facility is no longer valid but shall be replaced by new obligation after the facility is extended.

### **33.3 Uncalled portion of other long-term investment**

As at 31 December 2010, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment (2009: Baht 10.13 million).

### **33.4 Long-term time charter commitments**

Pursuant to a Memorandum of Understanding signed in October 2009, on 2 December 2009, the Company signed Long-Term Time Charter Contracts with a company incorporated in India (the charterer) for 4 (3 definite ships, plus an additional ship at Charterer's option to be declared within 30 April 2011) new cement carriers. The charter periods under the contracts are 15 years, with a fixed charter rate per day as stipulated in the contracts. There is an option to extend the charter period twice by blocks of 5 years, with reduced charter rates as stipulated in the contracts. The ships are new custom-built cement carriers, which have to be delivered to the charterer as per the committed schedule during 2011 to 2014. If the ships are not delivered to the charterer within the agreed schedule, there is a fine payable of USD 4,250 per ship per day.

## **34. Financial instruments**

### **34.1 Financial risk management**

The Company and subsidiaries' financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, trade accounts payable and loans. The financial risks associated with these financial instruments and how they are managed is described below.



### **Credit risk**

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable. The Company and subsidiaries manage the risk by adopting a credit policy whereby they evaluate the creditworthiness of charterers and other parties and restrict dealings to financially sound parties, and strictly attend to the preparation and completeness of documentation and therefore do not expect to incur material financial losses. In addition, the Company and subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the balance sheets.

### **Interest rate risk**

The Company and subsidiaries' exposure to interest rate risk relates primarily to its cash at banks, investment in debts securities and long-term loans. However, since most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Thousand Baht)

	Fixed				Average interest rate (% p.a.)			
	interest rate within 1 year	Floating interest rate	Non-interest bearing	Total	Fixed		Floating	
					USD	Baht	USD	Baht
<b>Financial assets</b>								
Cash and cash equivalents	3,202,494	1,005,240	2,576	4,210,310	0.55	1.67	0.14	0.25
Trade accounts receivable	-	-	33,855	33,855	-	-	-	-
<b>Total</b>	<b>3,202,494</b>	<b>1,005,240</b>	<b>36,431</b>	<b>4,244,165</b>				
<b>Financial liabilities</b>								
Trade accounts payable	-	-	11,100	11,100	-	-	-	-
Long-term loans	-	4,929,653	-	4,929,653	-	-	1.49	5.25
<b>Total</b>	<b>-</b>	<b>4,929,653</b>	<b>11,100</b>	<b>4,940,753</b>				

### ***Foreign currency risk***

Almost all revenues and expenditures of the Company and subsidiaries are denominated in US Dollars, which provide a natural hedge against the currency risk associated with transactions in US Dollars. Consequently, the Company and subsidiaries are exposed to a currency risk in respect of financial instruments denominated in other currencies. However, the Company and subsidiaries' management has decided to maintain an open position with regard to this exposure, but endeavors to limit this exposure to the minimum possible amounts by not holding significant amounts of financial instruments denominated in other currencies or use derivative instruments, as and when it considers appropriate, to manage such risks.

The Company and its subsidiaries do not use foreign currency forward contracts or purchased currency options for trading purposes.

### **34.2 Fair values of financial instruments**

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instruments or by using an appropriate valuation technique, depending on the nature of the instruments.

Since the majority of the Company and subsidiaries' financial assets and liabilities are short-term in nature or bear floating interest rates and long-term loans bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

### **35. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio also to comply with a condition in the long-term loan agreements, which require the Company to maintain a consolidated debt-to-equity ratio of not more than 2:1.

No changes were made in the objectives, policies or processes during the years ending 31 December 2010 and 2009.

### 36. Subsequent events

On 27 January 2011, the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2011 to adopt a resolution to pay a dividend of Baht 0.22 per share, or a total of Baht 228.69 million, to the shareholders in respect of the 2010 income.

Such dividend will be paid and recorded after it is approved by the Annual General Meeting of the Company's shareholders.

### 37. Delay in new vessel building delivery

On 20 July 2007, 14 September 2007 and 11 February 2008, the Company entered into 18 contracts with ABG Shipyard Limited ("the shipbuilder") to construct 18 vessels (12 handysize vessels and 6 supramax vessels) classified as bulk carriers at an aggregate price of approximately USD 588.00 million (approximately USD 30.00 million per handysize vessel and USD 38.00 million per supramax vessel). The delivery dates of Hull Nos. 329, 330 and 313 were on 15 March 2010, 31 July 2010 and 31 December 2010, respectively, per respective contracts. However, these vessels' deliveries have now been delayed due to various technical reasons at the Shipyard and the revised delivery dates of these vessels are under discussion with the shipbuilder. The Company also expects some delay in delivery of the remaining vessels per their respective vessel building contracts and is in continuous discussions with the shipbuilder in this respect.

### 38. Reclassifications

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

				(Unit: Thousand Baht)		
	Consolidated financial statements			Separate financial statements		
	Previously reported	Increase (Decrease)	As reclassified	Previously reported	Increase (Decrease)	As reclassified
Cash and cash equivalents	5,848,782	27,500	5,876,282	2,246,682	27,500	2,274,182
Current investment - net	27,500	(27,500)	-	27,500	(27,500)	-
Current portion of long-term loans	-	14,864	14,864	-	-	-
Long-term loans - net of current portion	4,291,699	(14,864)	4,276,835	3,578,235	-	3,578,235

### **39. Approval of financial statements**

These financial statements were authorised for issue by the Company's Board of Directors on 27 January 2011.