

(UNAUDITED BUT REVIEWED)

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO INTERIM FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 31 MARCH 2003 AND 2002

**1. GENERAL INFORMATION**

**1.1 Basis for the preparation of the interim financial statements**

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

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

**1.2 Basis of consolidation**

These consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and subsidiaries (“the Group”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2002. There have been no changes in the composition of the Group during the current period.

**1.3 Significant accounting policies**

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

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No diluted earnings per share for the three-month period ended 31 March 2002 have been presented since the conditions for converting debentures to the Company's ordinary shares were cancelled in accordance with the result of the bondholders' meeting as discussed in Note 8.

## 2 TRADE ACCOUNTS RECEIVABLE

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

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Less than 3 months	99,321	131,366	-	-
3 - 6 months	2,724	4,907	-	-
6 - 12 months	6,573	5,518	-	-
More than 12 months	91,885	93,170	2,002	2,016
Total	200,503	234,961	2,002	2,016
Less : Allowance for doubtful accounts	(91,656)	(92,942)	(2,002)	(2,016)
Trade accounts receivable - net	<u>108,847</u>	<u>142,019</u>	<u>-</u>	<u>-</u>

## 3 RELATED PARTY TRANSACTIONS

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

## (UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	For the three-month periods ended 31 March			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b><u>Transactions with subsidiaries</u></b>				
(Eliminated from consolidated financial statements)				
Interest income	-	-	642	408
Administrative expenses	-	-	1,653	1,653
<b><u>Transactions with related companies</u></b>				
Rental and related expenses	357	463	168	232
Air ticket expenses	2,706	3,377	511	601

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

(Unit : Thousand Baht)

	THE COMPANY ONLY			
	31 December 2002	Increase	Decrease	31 March 2003
<b><u>Receivable from and advances to subsidiaries</u></b>				
Precious Hills Limited	90,691	37,392	45,394	82,689
Great Circle Shipping Agency Limited	134,201	22,776	30,124	126,853
Precious Capitals Limited	180,514	31,711	49,754	162,471
Precious Jasmines Limited	61,796	28,436	55,477	34,755
Precious Orchids Limited	9,020	41,435	47,572	2,883
Precious Seas Limited	39,738	24,057	13,101	50,694
Precious Resorts Limited	113,639	79,266	56,703	136,202
Precious Shipping (Mauritius) Limited	48,350	29,179	1,288	76,241
Precious Trees Limited	2,058	-	2,058	-
Precious Stars Limited	137,948	78,867	49,039	167,776
Precious Ponds Limited	208	-	208	-
Precious Cliffs Limited	48,167	78,627	704	126,090
Geepee Corporation Limited	22,148	90	1,264	20,974
Nedtex Limited	6,350	1,034	964	6,420
Precious Lakes Limited	3,993	-	13	3,980
Precious Shipping (Panama) S.A.	-	21,574	20,525	1,049
Precious Mountains Limited	51,339	60,754	64,386	47,707
Total	<u>950,160</u>	<u>535,198</u>	<u>438,574</u>	<u>1,046,784</u>

## (UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

## THE COMPANY ONLY

	31 December 2002	Increase	Decrease	31 March 2003
<b><i>Payable to and advances from subsidiaries</i></b>				
Precious Shipping (Singapore) Pte. Limited	479,206	137,456	115,720	500,942
Precious Wishes Limited	272,285	19,720	28,557	263,448
Precious Metals Limited	252,014	47,689	29,936	269,767
Precious Minerals Limited	139,924	-	-	139,924
Precious Cities Limited	139,447	-	-	139,447
Precious Stones Shipping Limited	137,667	-	-	137,667
Precious Flowers Limited	136,394	45,732	40,170	141,956
Precious Forests Limited	123,036	58,501	39,047	142,490
Precious Planets Limited	167,820	38,569	33,609	172,780
Precious Diamonds Limited	59,274	26,206	11,579	73,901
Precious Lagoons Limited	61,076	25,547	21,595	65,028
Precious Opals Limited	23,876	-	-	23,876
Precious Lands Limited	21,322	-	-	21,322
Precious Rubies Limited	65,933	-	437	65,496
Precious Sapphires Limited	1,902	1,781	2,893	790
Precious Pearls Limited	54,143	69,201	45,416	77,928
Precious Garnets Limited	57,195	20,631	13,464	64,362
Precious Ornaments Limited	-	23	-	23
Precious Oceans Limited	111,517	28,950	9,806	130,661
Precious Rivers Limited	11,189	26,181	16,890	20,480
Precious Emeralds Limited	36,390	82,614	47,087	71,917
Precious Storage Terminals Limited	1,166	597	570	1,193
Precious Ventures Limited	65,969	110,489	77,114	99,344
Regidor Pte. Limited	17	111	-	128
Thebes Pte. Limited	17	103	-	120
Precious Shipping (Panama) S.A.	3,623	-	3,623	-
Precious Shipping (UK) Limited	8,357	24,642	31,426	1,573
Precious Trees Limited	-	43,560	18,697	24,863
Precious Ponds Limited	-	25,308	12,072	13,236
Precious Comets Limited	-	23	-	23
Total	2,430,759	833,634	599,708	2,664,685

(UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

	CONSOLIDATED			
	31 December			31 March
	2002	Increase	Decrease	2003
<b><i><u>Receivable from and advances to other related companies</u></i></b>				
International Seaports Pte. Ltd.	440	-	-	440
International Seaports (Haldia) Private Limited	23,683	28,461	-	52,144
Kakinada Seaports Limited	1,860	-	-	1,860
Total	25,983	28,461	-	54,444

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

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

(Unit : Thousand Baht)

	THE COMPANY ONLY	
	31 March 2003	31 December 2002
Precious Cliffs Limited	143,000	143,000
Precious Capitals Limited	143,000	143,000
Precious Jasmines Limited	100,750	100,750
Precious Stars Limited	96,525	96,525
Precious Seas Limited	95,693	95,693
Precious Orchids Limited	57,850	57,850
Precious Ponds Limited	21,450	21,450
Precious Lakes Limited	4,550	4,550
Total	662,818	662,818

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## 4 INVESTMENTS

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

			(Unit : Thousand Baht)			
			CONSOLIDATED		THE COMPANY ONLY	
			Equity Method		Equity Method	
			31 March	31 December	31 March	31 December
			2003	2002	2003	2002
<i><b>Investments accounted for under equity method</b></i>						
<i><b>Subsidiaries</b></i>						
Precious Shipping (Singapore)						
Pte. Limited	100.00	363,338			617,321	607,050
Precious Metals Limited	99.99	250,000			357,279	354,449
Precious Wishes Limited	99.99	229,999			317,829	309,575
Precious Capitals Limited	99.99	199,999			251,589	226,207
Precious Oceans Limited	99.99	175,000			348,145	333,884
Precious Minerals Limited	99.99	140,000			139,874	139,890
Precious Stones Shipping Limited	99.99	140,000			137,663	137,688
Precious Mountains Limited	99.99	139,999			208,918	191,467
Precious Hills Limited	99.99	139,999			265,011	260,418
Precious Resorts Limited	99.99	139,999			178,098	171,900
Precious Lagoons Limited	99.99	139,999			202,536	189,775
Precious Cities Limited	99.99	139,999			139,427	139,442
Precious Cliffs Limited	99.99	139,999			83,076	79,498
Great Circle Shipping Agency Limited	99.99	121,995			(49,014)	(44,821)
Precious Stars Limited	99.99	105,000			124,101	115,965
Precious Seas Limited	99.99	100,000			227,329	216,810
Precious Planets Limited	99.99	100,000			200,917	190,220
Precious Jasmines Limited	99.99	97,999			266,185	254,729
Precious Ventures Limited	99.99	79,999			179,718	164,906
Precious Diamonds Limited	99.99	55,000			167,921	155,623
Precious Orchids Limited	99.99	51,999			153,294	152,174
Precious Rivers Limited	99.99	44,000			65,878	54,340
Precious Forests Limited	99.99	39,999			132,301	119,656
Precious Trees Limited	99.99	39,999			60,312	47,337
Precious Flowers Limited	99.99	38,999			163,116	146,839

## (UNAUDITED BUT REVIEWED)

(Unit : Thousand Baht)

	Percentage of Ownership	Cost Method	CONSOLIDATED		THE COMPANY ONLY	
			Equity Method		Equity Method	
			31 March 2003	31 December 2002	31 March 2003	31 December 2002
Precious Pearls Limited	99.99	38,999			139,115	125,836
Precious Emeralds Limited	99.99	32,000			108,897	98,913
Precious Ponds Limited	99.99	31,999			94,779	79,548
Precious Garnets Limited	99.99	30,999			123,025	113,569
Precious Rubies Limited	99.99	24,000			65,663	65,847
Precious Lands Limited	99.99	24,000			21,235	21,253
Precious Opals Limited	99.99	24,000			23,888	23,904
Precious Lakes Limited	99.99	24,000			(3,739)	(3,725)
Precious Sapphires Limited	99.99	23,999			873	672
Geepee Corporation Limited	99.88	5,874			(5,142)	(3,878)
Precious Storage Terminals Limited	69.99	4,199			(12,848)	(12,669)
Nedtex Limited	69.99	648			(14,493)	(14,290)
Precious Shipping (UK) Limited	99.99	250			7,625	7,729
Precious Shipping (Panama) S.A.	99.99	250			1,431	(97)
Precious Shipping (Mauritius) Limited	99.99	250			(172,529)	(171,692)
Precious Comets Limited	99.40	99			(79)	(64)
Precious Ornaments Limited	99.40	99			(80)	(64)
Thebes Pte. Limited	100.00	0.0365			(582)	(479)
Regidor Pte. Limited	100.00	0.0503			(644)	(532)
<b>Total net investments in subsidiaries</b>		<b>3,478,984</b>			<b>5,315,219</b>	<b>5,044,802</b>
Investments accounted for under equity method					5,574,369	5,297,114
Share of losses over investments					(259,150)	(252,312)
<b>Net</b>					<b>5,315,219</b>	<b>5,044,802</b>
<b><i>Other investments</i></b>						
International Seaports Pte. Limited	33.33	17,225	22,955	22,955	22,955	22,955
Dhamra Port Company Private Limited	26.37	96,889	96,889	96,889	-	-
Southern LPG Limited	39.96	31,716	19,365	19,365	-	-
Kakinada Seaports Limited	16.65	22,144	22,144	22,144	-	-
International Seaports (Haldia) Private Limited	17.83	35,556	35,556	35,556	-	-
<b>Total</b>		<b>203,530</b>	<b>196,909</b>	<b>196,909</b>	<b>22,955</b>	<b>22,955</b>
Less : Provision for possible loss on investments			(161,353)	(161,353)	(22,955)	(22,955)
<b>Net other investments</b>			<b>35,556</b>	<b>35,556</b>	<b>-</b>	<b>-</b>
Net current investments			-	-	-	-
Net long-term investments			35,556	35,556	-	-
<b>Total net other investments</b>			<b>35,556</b>	<b>35,556</b>	<b>-</b>	<b>-</b>

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The Company has presented share of losses from subsidiaries over investments by net off the amounts due from/to subsidiaries in the balance sheets.

As at 31 March 2003, the Company has pledged the shares of twenty-three subsidiaries amounting to Baht 4,060 million (31 December 2002 : twenty-three subsidiaries amounting to Baht 3,840 million), stated under the equity method, with banks to secure the long-term loans referred to in Note 7.

The Company and subsidiaries have recorded investments in three overseas associated companies under the equity method upto 31 December 2000 since the Company and subsidiaries are making efforts to sell these investments and the investment in other company. This is to comply with the conditions of the debt restructuring agreement. Therefore, the above investments have been reclassified to current investments in current assets. On conservative basis, during 2002, the Company and subsidiaries set up the provision for possible loss on other investments of Baht 161.4 million (The Company Only : Baht 22.9 million).

## **5 VESSELS, CONDOMINIUM AND EQUIPMENT**

As at 31 March 2003, the subsidiaries have mortgaged twenty-eight vessels with net book value of Baht 3,942 million (31 December 2002 : twenty-eight vessels amounting to Baht 4,046 million) and condominium units with net book value of Baht 112 million (31 December 2002 : Baht 114 million) with banks to secure long-term loans as referred to in Note 7.

As at 31 March 2003 and 31 December 2002, the Company and subsidiaries has fully depreciated equipment which are still in use, the costs of such assets amounted to Baht 38 million and Baht 37 million, respectively (The Company Only : Baht 13 million and Baht 12 million, respectively).



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## 6 DEFERRED CHARGES

(Unit : Thousand Baht)

	CONSOLIDATED	
	31 March 2003	31 December 2002
Dry-dock expenses	185,650	282,010
Special survey expenses	265,635	276,314
Total deferred charges	451,285	558,324
Less : Accumulated amortisation	(260,309)	(338,959)
Deferred charges - net	190,976	219,365
Amortisation for the period/year	35,387	155,171

## 7 LONG-TERM LOANS

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

The outstanding balances of loans as at 31 March 2003 and 31 December 2002 were as follows:-

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	31 March 2003	31 December 2002	31 March 2003	31 December 2002
Original loans	1,181,978	1,519,414	-	-
Commercial loans	1,601,265	1,618,368	1,601,265	1,618,368
Less : Current portion	(484,856)	(393,386)	-	-
Long-term portion	2,298,387	2,744,396	1,601,265	1,618,368

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### Original loans

As at 31 March 2003, the Company and its nineteen subsidiaries had outstanding loans from various banks and financial institutions aggregating approximately Baht 151.8 million and USD 23.95 million (31 December 2002 : Baht 241.4 million and USD 29.5 million) on which interest is charged at fixed and floating rates specified in the agreements. According to the repayment schedule, the loans will be repaid in quarterly installments commencing 31 March 2000 until the end of 2005. During the current period, the Company and certain subsidiaries repaid a total of Baht 89.6 million and USD 5.55 million (During the year 2002 : Baht 48.2 million, USD 17.6 million and INR 15 million) of the loans.

As at 31 March 2003, these loans are secured by the following:-

- a) The mortgage of twenty-four vessels belonging to subsidiaries (Note 5).
- b) The pledge of the shares of nineteen subsidiaries (Note 4).
- c) The guarantees of twenty-two subsidiaries by Precious Shipping Public Company Limited.
- d) The assignment of the insurance policies for twenty-four of the subsidiaries' vessels.

### Commercial loans

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

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

The commercial loans carry interest at fixed rates per annum. If the Company fails to repay at the applicable repayment dates, interest rate will be increased by 1% per year from those dates. The loans are finally due for repayment on 17 July 2005. During the current period, the Company repaid Baht 17.1 million (During the year 2002 : Baht 83.36 million) of the loans. These loans are secured by pledge of the shares of four subsidiaries (Note 4), the mortgage and the assignment of the insurance policy of four vessels of subsidiaries and the condominium units of a subsidiary (Note 5). The Company has to comply with certain conditions and restrictions provided in the above loan agreements such as:-

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

## **8 BONDS / REDEEMABLE CONVERTIBLE DEBENTURES**

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

On 17 July 2000, the Company issued Thai Baht 589,503,000 and USD 20,936,297 of zero coupon RCDs. Under the terms and conditions of the Thai Baht's and US dollar's RCDs, the Company had an option to redeem the bonds within a period of thirty months from the issue date due on 16 January 2003.

However, on 10 January 2003, the meeting of the holders of the USD redeemable convertible debentures passed a resolution approving new terms and conditions for the bonds, effective from 16 January 2003, which can be summarised as follows:-

- a) The bonds are no longer convertible to shares of the Company.
- b) The coupon rate is to be 4.25% per annum, with interest paid quarterly commencing on 31 March 2003.
- c) The bonds will be redeemed by the Company on 16 January 2009 or may be redeemed in part or in full at any time prior to maturity.

Subsequently, on 17 January 2003, the meeting of the holders of the Baht redeemable convertible debentures passed a resolution approving new terms and conditions for the bonds, effective from 17 January 2003, which can be summarised as follows:-

- a) The bonds are no longer convertible to shares of the Company.
- b) The coupon rate is to be 5% per annum until 16 January 2006 and then 6% per annum from 17 January 2006 to 16 January 2009. Interest is to be paid quarterly, commencing on 17 April 2003.

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- c) The bonds will be redeemed by the Company in quarterly installments, from 17 January 2006 to 17 January 2009.

As at 31 March 2003, there were outstanding USD bonds of USD 13.17 million and Baht bonds of Baht 316.5 million.

## 9 EXCHANGE GAINS

Exchange gains for the three-month periods ended 31 March 2003 and 2002 were summarised below:-

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Realised exchange gains (losses)	2,609	2,691	(1,195)	(1,595)
Unrealised exchange gains	9,252	40,577	3,895	11,509
Exchange gains - net	<u>11,861</u>	<u>43,268</u>	<u>2,700</u>	<u>9,914</u>

## 10 COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2003, the Company is contingently liable as guarantor for the payment of subsidiaries' loans totalling USD 23.95 million and Baht 151.8 million (31 December 2002 : USD 29.49 million and Baht 241.35 million).

## 11. FINANCIAL INSTRUMENTS

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

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## 11.1 Foreign Currency Risk

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

Exchange rate applied for translation of foreign currency liabilities as at 31 March 2003 was USD 1 : Baht 43.0100 (31 December 2002 : Baht 43.3039).

## 11.2 Interest Rate Risk

As at 31 March 2003 the Company and subsidiaries had the following financial assets and financial liabilities exposed to interest rate risk:-

(Unit : Thousand Baht)

	Amounts of assets/liabilities					Average interest rate (% p.a.)			
	Floating interest rate	Fixed interest maturing in		Non-interest bearing	Total	Floating		Fixed	
		1 year or less	Over 1 year			THB	USD	THB	USD
<b>Financial assets:-</b>									
Cash and cash equivalents	244,625	-	-	7,022	251,647	-	0.25	-	-
Trade accounts receivable	-	-	-	108,847	108,847	-	-	-	-
Receivable from and advances to related parties - other related companies	-	-	-	54,444	54,444				
Total	244,625	-	-	170,313	414,938				
<b>Financial liabilities:-</b>									
Long-term loans	1,181,978	-	1,601,265	-	2,783,243	6.50	2.95	7	-
Trade accounts payable	-	-	-	97,847	97,847	-	-	-	-
Bonds	-	-	882,866	-	882,866	-	-	5	4.25
Total	1,181,978	-	2,484,131	97,847	3,763,956				

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### **11.3 Credit Risk**

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

### **11.4 Fair Value**

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

## **12 FINANCIAL INFORMATION BY SEGMENT**

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

## **13 SUBSEQUENT EVENTS**

On 30 April 2003, the ordinary shareholders' meeting passed a resolution approving to decrease authorised share capital from Baht 1,973 million (197.3 million ordinary shares of Baht 10 each) to be Baht 520 million (52 ordinary shares of Baht 10 each).

## **14 APPROVAL OF FINANCIAL STATEMENTS**

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