

**Precious Shipping Public Company Limited and subsidiaries**

**Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2010 and 2009**

**1. General information**

**1.1 Corporate information**

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

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

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2007) Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the balance sheets, the statements of income, changes in shareholders' equity, and cash flows in the same format as that used for the annual financial statements.

The 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.

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

**1.3 Adoption of new accounting standards**

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

- a) Accounting standards that will become effective in 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 17 (revised 2009)	Leases
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
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 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

- b) Accounting standards that will become effective in 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

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.

## 1.4 Basis of consolidation

These interim 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 2009 except the changes in the composition of the Group during the period from the investment in jointly controlled entity in January 2010 with 50% equity interest in the jointly controlled entity as mentioned in Note 8 to the financial statements.

## 1.5 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 2009, with the following additional accounting policies.

### Investments

- a) Investment in jointly controlled entity is accounted for in the consolidated financial statements using the proportionate shares of the assets, liabilities, revenues and expenses method.
- b) Investment in jointly controlled entity is accounted for in the separate financial statements using the cost method.

## 2. Current investment

(Unit: Thousand Baht)

Consolidated financial statements								
Paid-up capital		Shareholding percentage		Cost		Carrying amounts based on equity method		
30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009	
Thousand INR	Thousand INR	%	%					
<b><u>Investment in associate held by a subsidiary</u></b>								
Southern LPG Limited	64,592	64,592	50.00	50.00	<u>31,716</u>	<u>31,716</u>	19,365	19,365
Less: Allowance for loss on investment							<u>(19,365)</u>	<u>(19,365)</u>
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 entity in India.

### 3. Trade accounts receivable

The outstanding balances of trade accounts receivable are aged, based on invoice date, as follows:

	(Unit: Thousand Baht)	
	Consolidated	
	financial statements	
	30 September	31 December
	2010	2009
<b>Age of receivables</b>		
Not over 3 months	4,611	29,378
3 - 6 months	3,790	1,528
6 - 12 months	-	15,422
Over 12 months	20,366	8,944
Total	28,767	55,272
Less: Allowance for doubtful accounts	(20,366)	(13,194)
Trade accounts receivable - net	8,401	42,078

### 4. Related party transactions

During the periods, the Company and its subsidiaries 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.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	For the three-month periods ended 30 September				
	2010	2009	2010	2009	
<b>Transactions with subsidiaries</b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	11,040	15,384	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	-	16,499	3% of vessels' selling price
Dividend received	-	-	327,090	1,075,998	As declared
Interest income	-	-	1,550	2,631	At interest rate of 0.30% per annum
Condominium rental expenses	-	-	2,333	2,333	Market price
<b>Transactions with related companies</b>					
Dividend received	3,414	-	-	-	As declared
Air ticket expenses	2,898	3,350	959	700	Market price
Rental and service expenses	753	651	611	463	Market price
Computer purchases	3,756	-	3,183	-	Market price

(Unit: Thousand Baht)

	Consolidated		Separate		
	financial statements		Financial statements		
	For the nine-month periods ended 30 September				Transfer
	2010	2009	2010	2009	pricing policy
<b>Transactions with subsidiaries</b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	33,618	56,292	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	24,992	58,575	3% of vessel's selling price
Service income - commission from compensation from cancellation of vessel hire contracts	-	-	-	9,365	5% of the compensation from cancellation of vessel hire contracts

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer  pricing policy
	financial statements		Financial statements		
	For the nine-month periods ended 30 September				
	2010	2009	2010	2009	
Dividend received	-	-	1,241,958	3,594,404	As declared
Interest income	-	-	4,679	2,631	At interest rate of 0.30% per annum
Condominium rental expenses	-	-	7,000	6,964	Market price
<b>Transactions with related companies</b>					
Dividend received	3,414	-	-	-	As declared
Air ticket expenses	7,226	12,002	2,844	1,862	Market price
Rental and service expenses	4,547	4,751	3,748	3,876	Market price
Computer purchases	3,756	-	3,183	-	Market price

The balances of the accounts as at 30 September 2010 and 31 December 2009 between the Company and those related parties are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	31 December 2009	Increase	Decrease	30 September 2010
<b>Receivables from and advances to subsidiaries</b>				
Precious Minerals Limited	9,509	-	9,509	-
Precious Orchids Limited	-	129,802	82,632	47,170
Nedtex Limited	182	20	-	202
Precious Storage Terminals Limited	108	20	-	128
Thebes Pte. Limited	1,059	67	-	1,126
Precious Shipping (Panama) S.A.	7,151	43,967	33,417	17,701
Precious Shipping (Mauritius) Limited	120,756	1,420	-	122,176
Precious Shipping (UK) Limited	15,810	409	1,148	15,071
Great Circle Shipping Agency Limited	127,746	280,712	272,978	135,480
Precious Projects Pte. Ltd.	360	288	-	648
Total	282,681	456,705	399,684	339,702
<b>Payable to and advances from subsidiaries</b>				
Precious Metals Limited	301,948	34,379	80,095	256,232
Precious Wishes Limited	124,193	611,294	453,801	281,686
Precious Stones Shipping Limited	35,847	67,707	72,694	30,860
Precious Minerals Limited	-	127,423	48,137	79,286

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	31			30
	December			September
	2009	Increase	Decrease	2010
Precious Lands Limited	90,827	15	23,406	67,436
Precious Rivers Limited	5,355	119,572	36,081	88,846
Precious Lakes Limited	57,538	281,500	233,527	105,511
Precious Seas Limited	31,044	115,064	45,943	100,165
Precious Stars Limited	38,514	186,212	120,712	104,014
Precious Oceans Limited	68,285	95,476	77,040	86,721
Precious Planets Limited	114,825	395	466	114,754
Precious Diamonds Limited	35,396	117,228	64,897	87,727
Precious Sapphires Limited	43,963	128,780	87,068	85,675
Precious Emeralds Limited	44,393	96,547	87,156	53,784
Precious Rubies Limited	94,010	10	264	93,756
Precious Opals Limited	92,388	68	238	92,218
Precious Garnets Limited	35,815	77,652	103,322	10,145
Precious Pearls Limited	88,189	-	4,226	83,963
Precious Flowers Limited	93,455	980	891	93,544
Precious Forests Limited	107,660	3,476	295	110,841
Precious Trees Limited	78,886	-	234	78,652
Precious Ponds Limited	28,668	182,625	110,039	101,254
Precious Ventures Limited	88,232	80	12,814	75,498
Precious Capitals Limited	59,411	126,713	58,944	127,180
Precious Jasmines Limited	76,292	232,490	164,171	144,611
Precious Orchids Limited	9,779	-	9,779	-
Precious Lagoons Limited	28,591	96,866	45,688	79,769
Precious Cliffs Limited	25,764	79,621	44,260	61,125
Precious Hills Limited	32,658	83,589	75,159	41,088
Precious Mountains Limited	23,636	101,006	91,050	33,592
Precious Resorts Limited	40,152	87,415	69,543	58,024
Precious Cities Limited	30,540	157,683	125,563	62,660
Precious Comets Limited	42,601	151,038	87,600	106,039
Precious Ornaments Limited	69,476	11,871	12,148	69,199
Precious Shipping (Singapore) Pte. Ltd.	45,541	220,962	147,208	119,295
Total	2,183,872	3,595,737	2,594,459	3,185,150

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	31			30
	December			September
	2009	Increase	Decrease	2010
<b>Receivables from and advances to jointly controlled entity</b>				
Associated Bulk Carriers Pte. Ltd.	-	398	68	330

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.

#### 5. Short-term loans to subsidiary

Short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, amounting to USD 63.80 million, which carry interest at the rate of 0.30% per annum, and are due at call. Movements in the balance of the loans during the period were as follows:

	Separate financial statements			
	31 December		Unrealised	30 September
	2009	Increase	loss on	2010
			exchange	
<b>Short-term loans to subsidiary</b>				
Precious Shipping (Singapore)				
Pte. Ltd.	2,119,481	-	(187,993)	1,931,488

#### 6. Long-term loan to jointly controlled entity

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 12. Movements in the balance of the loan during the period was as follows:



(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements			
	31 December		Unrealised	30 September
	2009	Increase	loss on exchange	2010
<b>Long-term loan to jointly controlled entity</b>				
Associated Bulk Carriers Pte. Ltd.	-	275,970	(17,126)	258,844

## 7. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received	
	30	31	30	31	30	31	For the nine-month periods	
	September	December	September	December	September	December	ended 30 September	
	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	155,000
Precious Wishes Limited	230,000	230,000	99.99	99.99	230,000	230,000	275,999	209,300
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	-	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	197,999
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	-	120,000
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	-	10,500
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	35,000	52,500
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	153,750
Precious Sapphires Limited	144,000	144,000	99.99	99.99	144,000	144,000	36,000	7,200
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	54,900	91,500
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	18,950
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	-	52,800
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	126,000
Precious Ventures Limited	80,000	80,000	99.99	99.99	80,000	80,000	-	76,000

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Separate financial statements							
Company's name	Paid-up capital		Shareholding		Cost		Dividend received	
			percentage				For the nine-month periods	
	30	31	30	31	30	31	ended 30 September	
	September	December	September	December	September	December		
	2010	2009	2010	2009	2010	2009	2010	2009
			%	%				
Precious Capitals Limited	200,000	200,000	99.99	99.99	200,000	200,000	10,000	60,000
Precious Jasmines Limited	147,000	98,000	99.99	99.99	147,000	98,000	73,500	274,399
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	-	14,000
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	-	14,000
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	49,000
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	35,000	7,000
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	28,000	7,000
Precious Cities Limited	170,000	170,000	99.99	99.99	170,000	170,000	85,000	51,000
Precious Comets Limited	71,100	71,100	99.99	99.99	71,100	71,100	78,210	28,440
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	-	47,670
Nedtex Limited	2,500	2,500	69.99	69.99	648	648	-	-
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	-	-
Precious Shipping (Singapore) Pte. Ltd.	363,338	363,338	100.00	100.00	363,338	363,338	-	-
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. Ltd.	0.0345	0.0345	100.00	100.00	0.0345	0.0345	-	-
Total investments in subsidiaries					5,757,124	5,708,124	1,241,958	3,594,404
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 offset the dividend income against amounts receivable from/payable to subsidiaries in the balance sheets.

During the current period, there have been the following changes in the investment in subsidiary.

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

**8. Investment in jointly controlled entity**

The consolidated balance sheet as at 30 September 2010 and the income statement for the three-month and nine-month periods ended 30 September 2010 include the proportion of the assets, liabilities, revenues and expenses of the jointly controlled entity, the balances of which were as follows:

	(Unit: Thousand Baht)
	<u>30 September 2010</u>
Cash and cash equivalents	72
Advances for vessel constructions	260,056
Deferred financial fees	74
Total assets	<u>260,202</u>
Current liabilities	<u>(168)</u>
Net assets	<u>260,034</u>

	(Unit: Thousand Baht)	
	For the three-month period ended 30 September 2010	For the nine-month period ended 30 September 2010
Revenues	14	14
Administrative expenses	(67)	(355)
Exchange losses	(2)	(3)
Finance cost	(3)	(5)
Net loss	<u>(58)</u>	<u>(349)</u>

The separate financial statements, which presented investment in jointly controlled entity under the cost method, have been prepared solely for the benefit of the public.

		(Unit: Baht)		
		Separate financial statements as at 30 September 2010		
				Carrying amounts based on cost method
Jointly controlled entity	Nature of business	Shareholding percentage %	Cost	
Associated Bulk Carriers Pte. Ltd.	Holding company	50	33	33

On 11 January 2010, the Company has entered into a joint venture agreement on equal sharing basis with Varada Marine Pte. Ltd. (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) Ltd., 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 18.4 to the financial statements) 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. Ltd., ("the ABC Company"). On 14 January 2010, the Company acquired a 50% equity interest in the ABC Company by acquiring 1 share at par of USD 1.

On 12 April 2010, the ABC Company has formed the three wholly owned Special Purpose Vehicle subsidiaries (the "SPV subsidiaries") named ABC One Pte. Ltd., ABC Two Pte. Ltd. and ABC Three Pte. Ltd. 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.

On 22 April 2010, each of 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 favour 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.

## 9. Investment in associate held by a subsidiary

### 9.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

Consolidated financial statements								
Associate's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			30	31	30	31	30	31
			September 2010	December 2009	September 2010	December 2009	September 2010	December 2009
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	87,701	87,701	152,836	143,219

(Unit: Thousand Baht)

Consolidated financial statements				
Share of income from investment in associate held by a subsidiary				
Associate's name	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2010	2009	2010	2009
International Seaports (Haldia) Private Limited	6,280	6,896	8,683	12,808

(Unit: Thousand Baht)

Consolidated financial statements				
Dividend received from associate held by a subsidiary				
Associate's name	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	2010	2009	2010	2009
International Seaports (Haldia) Private Limited	3,414	-	3,414	-

Shares of income from investment in associate held by a subsidiary for the three-month and nine-month periods ended 30 September 2010 and 2009, included in the consolidated income statements, were recorded based on the financial statements as at 30 June 2010 and 2009, respectively prepared by the management of that company and not reviewed by auditor.

## 9.2 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		Net income	
	30 June		30 June		30 June		the nine-month		for the nine-month	
							periods ended		periods ended	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Thousand INR	Thousand INR								
International Seaports										
(Haldia) Private Limited	440,580	440,580	731,642	801,556	215,542	334,444	378,375	319,181	38,764	57,179

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.

**10. Property, building and equipment**

Movements of the property, building and equipment account during the nine-month period ended 30 September 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2010	7,780,922	17,222
Acquisitions of equipment and payment of dry-dock and special survey expenses during period - at cost	905,851	3,377
Disposals during period - net book value at disposal date	(426,729)	-
Depreciation for period	(599,525)	(6,488)
Net book value as at 30 September 2010	7,660,519	14,111

**11. Computer software**

Movements of the computer software account during the nine-month period ended 30 September 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements
Net book value as at 1 January 2010	46,912
Acquisitions - at cost	725
Amortisation for period	(8,149)
Net book value as at 30 September 2010	39,488

**12. Advances for vessel constructions**

Movements of the advances for vessel constructions account during the nine-month period ended 30 September 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2010	7,809,282	7,809,282
Additions	459,155	199,099
Interest costs	45,686	45,686
Transfer from deferred financial fees	2,404	2,404
Adjustment	(6,202)	(6,202)

(Unaudited but reviewed)

Other costs	10,274	10,274
Balance as at 30 September 2010	8,320,599	8,060,543

During the current period, the Company made payment of installments to a shipbuilder, amounting to USD 6.00 million or approximately Baht 199.10 million. All of this has been financed by overseas and local commercial banks.

During the current period, 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 17.10 million (USD 5.70 million or Baht 173.37 million per each SPV subsidiary per each vessel) in aggregate or approximately Baht 520.11 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 or approximately Baht 260.06 million.

During the current period, the amount of borrowing costs capitalised was approximately Baht 45.69 million. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.45% - 1.74%.

### 13. Deferred financial fees

Movements of the deferred financial fees account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2010	291,253	291,253
Additions	104,455	104,381
Transfer to advances for vessel constructions	(2,404)	(2,404)
Transfer to interest expenses	(4,464)	-
Transfer to subsidiary as a borrower	-	(21,767)
Adjustment	6,202	6,202
Presented as a deduction from long-term loans	(22,421)	(5,118)
Balance as at 30 September 2010	372,621	372,547

As at 30 September 2010, deferred financial fee amounting to Baht 22.42 million was presented as a deduction against long-term loans in liabilities in the consolidated balance sheet and amounting to Baht 5.12 million in the separate balance sheet, in proportion to the drawdown amount, as discussed in Note 14 to the financial statements.



**14. Long-term loan facilities****14.1 Loan facility for financing the construction and acquisition of new vessels**

As at 30 September 2010 and 31 December 2009, long-term loans were presented below.

	(Unit: Thousand Baht)	
	Consolidated financial statements/ Separate financial statements	
	30 September 2010	31 December 2009
Long-term loans	3,459,143	3,593,000
Less: Deferred financial fees	(19,884)	(14,765)
Total	3,439,259	3,578,235
Less: Current portion of long-term loans	(12,155)	-
Long-term loans - net of current portion	<u>3,427,104</u>	<u>3,578,235</u>

Movements in the long-term loan account during the nine-month period ended 30 September 2010 are summarised below.

	(Unit: Thousand Baht)
	Consolidated financial statements/ Separate financial statements
Balance as at 1 January 2010	3,578,235
Add: Additional borrowings	199,099
Less: Unrealised exchange gains	(332,957)
Deferred financial fees	(5,118)
Balance as at 30 September 2010	<u>3,439,259</u>

As at 30 September 2010, the long-term loan facility which has not yet been drawn down amounted to USD 285.20 million (31 December 2009: USD 291.20 million).

**14.2 Loan facilities for purchasing of vessels**

During the current period, the Company and local subsidiaries entered into amended and restated agreements with banks. Details are as follows:

**Facility 1**

On 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

(Unaudited but reviewed)

commercial banks, to extend the availability period of the credit facility which is secured by Baht 8,750.00 million to 29 December 2010.

As at 30 September 2010 and 31 December 2009, long-term loans were presented below.

(Unit: Thousand Baht)

	Consolidated financial statements	
	30 September 2010	31 December 2009
Long-term loans	1,502,348	734,273
Less: Deferred financial fees	(38,112)	(20,809)
Total	1,464,236	713,464
Less: Current portion of long-term loans	(122,020)	(14,864)
Long-term loans - net of current portion	<u>1,342,216</u>	<u>698,600</u>

Movements in the long-term loan account during the nine-month period ended 30 September 2010 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements
Balance as at 1 January 2010	713,464
Add: Additional borrowings	768,075
Less: Deferred financial fees	(17,303)
Balance as at 30 September 2010	<u>1,464,236</u>

In order to hedge the foreign exchange rate exposure associated with the above loans, 2 local subsidiaries entered into the cross currency swap agreements with the local commercial banks to swap the loans of Baht 734.27 million and Baht 768.08 million to USD 22.15 million and USD 23.75 million, respectively. 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 30 September 2010, the term loan facility and swap facility that have not yet been drawn down amounted to Baht 7,247.65 million (31 December 2009: Baht 8,015.73 million).

### 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 30 September 2010, the Company and subsidiaries have not yet drawn down such long-term loan facility.

## **15. Corporate social responsibility (CSR) reserve**

During the current period, the Company set aside Baht 3.60 million (2009: Baht 13.15 million) to a reserve for corporate social responsibility activities and reversed Baht 26.76 million (2009: none) of such reserve when the Company made related donation payments.

## **16. 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

(Unaudited but reviewed)

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) for the three-month and nine-month periods ended 30 September 2010 and 2009 derived from Time charter and Voyage charter presented as "Hire income" and "Freight income" respectively, as under:

(Unit: Thousand Baht)

	Consolidated financial statements									
	For the three-month periods ended 30 September									
	Time charter		Voyage charter		Total		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Hire income	749,109	1,093,401	-	-	749,109	1,093,401	(10,417)	(11,076)	738,692	1,082,325
Freight income	-	-	-	83,607	-	83,607	-	(7,489)	-	76,118
Total vessel operating income	749,109	1,093,401	-	83,607	749,109	1,177,008	(10,417)	(18,565)	738,692	1,158,443
Voyage disbursements	-	-	(15,977)	(31,517)	(15,977)	(31,517)	10,417	18,565	(5,560)	(12,952)
Bunker consumption	-	-	-	(9,369)	-	(9,369)	-	-	-	(9,369)
Total voyage expenses	-	-	(15,977)	(40,886)	(15,977)	(40,886)	10,417	18,565	(5,560)	(22,321)
Net vessel operating income/time charter equivalent income	749,109	1,093,401	(15,977)	42,721	733,132	1,136,122	-	-	733,132	1,136,122

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements									
	For the nine-month periods ended 30 September									
	Time charter		Voyage charter		Total		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Hire income	2,267,183	4,242,190	-	-	2,267,183	4,242,190	(31,315)	(33,526)	2,235,868	4,208,664
Freight income	-	-	18,026	503,131	18,026	503,131	-	(89,250)	18,026	413,881
Total vessel operating income	2,267,183	4,242,190	18,026	503,131	2,285,209	4,745,321	(31,315)	(122,776)	2,253,894	4,622,545
Voyage disbursements	-	-	(49,059)	(217,711)	(49,059)	(217,711)	31,315	122,776	(17,744)	(94,935)
Bunker consumption	-	-	(3,900)	(99,300)	(3,900)	(99,300)	-	-	(3,900)	(99,300)
Total voyage expenses	-	-	(52,959)	(317,011)	(52,959)	(317,011)	31,315	122,776	(21,644)	(194,235)
Net vessel operating income/time charter equivalent income	2,267,183	4,242,190	(34,933)	186,120	2,232,250	4,428,310	-	-	2,232,250	4,428,310

## 17. Dividend paid

Dividend declared during the current period consists of the following:

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
a) Interim dividend on operating results for the six-month period ended 30 June 2010	Board of Directors' meeting on 5 August 2010	207.85	0.20

As at the closing date of the share register, 1,039,260,900 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 259,700 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). The total dividend paid was thus Baht 207.85 million and this was paid by the Company on 2 September 2010.

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
b) Interim dividend on operating results for the three-month period ended 31 March 2010	Board of Directors' meeting on 6 May 2010	259.84	0.25

As at the closing date of the share register, 1,039,378,400 of the Company's ordinary shares were qualified to receive dividend, after deduction of the 142,200 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). The total dividend paid was thus Baht 259.84 million and this was paid by the Company on 4 June 2010.

	Approved by	Total dividend (Million Baht)	Dividend per share (Baht)
c) Final dividend on 2009 income	Annual General Meeting of the shareholders on 17 March 2010	623.62	0.60

As at the closing date of the share register, 1,039,371,120 of the Company's ordinary shares were qualified to receive final dividend, after deduction of the 149,480 shares held by the registrar (Thailand Securities Depository Co., Ltd. for Depositors who are both Thai and Foreign shareholders), which are disqualified from receiving final dividend, from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 623.62 million and this was paid by the Company on 29 March 2010.

## **18. Commitments and contingent liabilities**

### **18.1 Vessel building contracts commitments**

As at 30 September 2010, the Company and jointly controlled entity had future minimum payment commitments under vessel building contracts amounting to USD 391.40 million or approximately Baht 11,960.32 million (The Company only: USD 357.20 million or approximately Baht 10,915.25 million) (31 December 2009: the Company only: USD 363.20 million or approximately Baht 12,173.30 million).

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

As at 30 September 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:

(Unaudited but reviewed)

Facility	Percentage of obligation	Currency	Maximum facility amount per contract	Undrawn loan balance as at 30 September 2010	Term of payment	Drawdown period ending
<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
<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

### 18.3 Uncalled portion of other long-term investment

As at 30 September 2010 and 31 December 2009, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment.

### 18.4 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 vessels, plus an additional vessel 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 vessels 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 vessels are not delivered to the charterer within the agreed schedule, there is a fine payable of USD 4,250 per vessel per day.

**19. Delay in new 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 date of Hull No. 329 vessel (1st vessel) was on 15 March 2010 per respective contract. However, this vessel's delivery has now been delayed due to technical reasons at the Shipyard and it is expected that delivery of this vessel will happen sometime in early next year (2011). The Company also expects some delay in delivery of the remaining vessels per their respective vessel building contracts and is in discussion with the shipbuilder to finalise the new revised delivery dates.

**20. Reclassifications**

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current period'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
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	-	-	-
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)	-

**21. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's authorised directors on 27 October 2010.