

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

1. GENERAL INFORMATION

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

2 BASIS OF CONSOLIDATION

- 2.1 The consolidated financial statements included the financial statements of Precious Shipping Public Company Limited ("the Company"), and the financial statements of its subsidiary companies ("the subsidiaries") for the years ended 31 December 2002 and 2001. The percentage of subsidiaries owned by the Company, assets and revenues of the subsidiaries included in the consolidated financial statements are as follows :-

Subsidiaries	Country of incorporation	Percentage directly and indirectly owned by the Company		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		2002	2001		2002	2001	2002	2001
1. Precious Shipping (Singapore) Pte. Limited	Singapore	100	100	Marine transportation	1.80	4.01	0.95	4.05
2. Thebes Pte. Limited	Singapore	100	100	Holding company*	-	0.01	-	-
3. Regidor Pte. Limited	Singapore	100	100	Holding company*	-	0.01	-	-
4. Precious Metals Limited	Thailand	99.99	99.99	Marine transportation	2.34	2.40	2.65	2.44
5. Precious Wishes Limited	Thailand	99.99	99.99	Marine transportation	2.14	2.93	4.47	5.90
6. Precious Capitals Limited	Thailand	99.99	99.99	Marine transportation	7.08	6.64	6.50	5.80
7. Precious Oceans Limited	Thailand	99.99	99.99	Marine transportation	4.47	4.42	3.03	3.23
8. Precious Minerals Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
9. Precious Stones Shipping Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
10. Precious Mountains Limited	Thailand	99.99	99.99	Marine transportation	7.65	6.67	3.83	3.08
11. Precious Hills Limited	Thailand	99.99	99.99	Marine transportation	7.11	6.37	3.66	3.05

Subsidiaries	Country of incorporation	Percentage directly and indirectly owned by the Company		Nature of business	Percentage of total assets included in the consolidated total assets		Percentage of total revenues included in the consolidated total revenues	
		2002	2001		2002	2001	2002	2001
12. Precious Resorts Limited	Thailand	99.99	99.99	Marine transportation	8.39	7.72	3.68	2.93
13. Precious Lagoons Limited	Thailand	99.99	99.99	Marine transportation	5.81	5.56	3.38	3.50
14. Precious Cities Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
15. Precious Cliffs Limited	Thailand	99.99	99.99	Marine transportation	6.22	5.65	3.77	3.61
16. Precious Stars Limited	Thailand	99.99	99.99	Marine transportation	6.20	5.41	3.46	3.12
17. Precious Seas Limited	Thailand	99.99	99.99	Marine transportation	6.19	6.36	4.05	7.10
18. Precious Planets Limited	Thailand	99.99	99.99	Marine transportation	1.71	1.51	3.94	5.43
19. Precious Jasmines Limited	Thailand	99.99	99.99	Marine transportation	4.60	4.92	8.03	6.06
20. Precious Ventures Limited	Thailand	99.99	99.99	Marine transportation	3.33	2.85	6.00	4.98
21. Precious Diamonds Limited	Thailand	99.99	99.99	Marine transportation	2.62	2.40	3.44	3.26
22. Precious Orchids Limited	Thailand	99.99	99.99	Marine transportation	2.63	2.75	4.48	3.26
23. Precious Rivers Limited	Thailand	99.99	99.99	Marine transportation	1.46	1.87	3.49	2.71
24. Precious Forests Limited	Thailand	99.99	99.99	Marine transportation	0.95	0.93	4.66	3.27
25. Precious Trees Limited	Thailand	99.99	99.99	Marine transportation	1.75	1.42	3.53	2.82
26. Precious Flowers Limited	Thailand	99.99	99.99	Marine transportation	1.43	1.32	3.38	4.08
27. Precious Pearls Limited	Thailand	99.99	99.99	Marine transportation	1.53	1.46	2.97	2.65
28. Precious Emeralds Limited	Thailand	99.99	99.99	Marine transportation	1.33	1.29	2.21	2.30
29. Precious Ponds Limited	Thailand	99.99	99.99	Marine transportation	1.51	1.06	2.44	3.24
30. Precious Gamets Limited	Thailand	99.99	99.99	Marine transportation	1.22	1.20	2.22	1.83
31. Precious Rubies Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	0.85
32. Precious Lands Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
33. Precious Opals Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
34. Precious Lakes Limited	Thailand	99.99	99.99	Marine transportation*	-	-	-	-
35. Precious Sapphires Limited	Thailand	99.99	99.99	Marine transportation	0.07	0.03	0.57	0.82
36. Great Circle Shipping Agency Limited	Thailand	99.99	99.99	Ship technical management	2.51	2.51	0.23	0.36
37. Precious Shipping (UK) Limited	England	99.99	99.99	Chartering	0.05	0.74	0.03	0.03
38. Precious Shipping (Panama) S.A.	Panama	99.99	99.99	Chartering	0.08	0.18	0.02	0.01
39. Precious Shipping (Mauritius) Limited	Mauritius	99.99	99.99	Holding company*	-	0.02	0.01	-
40. Rapid Port Leasing Pte. Limited	Singapore	99.99	99.99	Holding company*	-	0.01	-	-
41. PSL Bulk Terminal Company Limited	Mauritius	99.99	99.99	Holding company*	0.04	0.26	-	-
42. Geepee Corporation Limited	Thailand	99.88	99.88	Holding company*	0.04	0.24	-	-
43. Precious Comets Limited	Thailand	99.40	99.40	Marine transportation*	-	-	-	-
44. Precious Ornaments Limited	Thailand	99.40	99.40	Marine transportation*	-	-	-	-
45. International Lighterage Limited	Mauritius	79.99	79.99	Holding company*	0.16	0.11	-	-
46. Precious Storage Terminals Limited	Thailand	69.99	69.99	Bulk storage barges*	-	0.11	0.01	0.07
47. Nedtex Limited	Thailand	69.99	69.99	Bulk storage barges*	0.01	0.07	0.01	0.09
48. PSL Investments Limited	Mauritius	68.96	68.96	Holding company*	-	1.80	-	-
49. PSL Thun Shipping Pte. Limited	Singapore	64.06	64.06	Marine transportation	3.13	2.04	4.29	3.50
50. Cargo Systems International Limited	Mauritius	59.93	59.93	Holding company*	-	-	-	-
51. Multi Cargo Systems (India) Private Limited	India	59.93	59.93	Handling services*	-	-	-	-
52. Geepee Bulk Handlers Private Limited	India	50.94	50.94	Port management*	0.86	1.30	0.01	0.31
53. Geepee Cargo Agencies Limited	India	-	50.93	Agency*	-	0.07	-	0.06

*Currently suspended their businesses

- 2.2 The financial statements of the subsidiaries incorporated overseas are translated into Thai Baht at the average closing exchange rate at the balance sheet date as to assets and liabilities, and at the average exchange rate during the year as to revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustment” in
- 2.3 Material balances and transactions between the Company and its subsidiaries, investments in the subsidiaries in the Company’s accounts and shareholders’ equity of the subsidiaries have been eliminated from the consolidated financial statements.
- 2.4 The acquisition cost of investments in the subsidiaries and the net book value of the subsidiaries at the time of acquisition have been eliminated and the difference thereof have been shown as intangible asset under the heading of “Goodwill” in balance sheet and has been amortised over a period of 20 years.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and with the Accounting Act B.E. 2543. The financial statements have been prepared on the basis of historical cost, with certain items, such as condominium units, adjusted to reflect their appraised values.

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

31 Income recognition

Vessel operating income consist of

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

Service income is recognised when service has been rendered.

Interest is recognised as income on a time proportion basis taking into accounts the effective yield rate of assets, except for the uncertainty in the collection.

32 Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits at financial institutions with an original maturity of three months or less and not subject to restriction.

33 Trade accounts receivable and allowance for doubtful accounts

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

34 Bunker Oil

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

35 Investments

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

Investments in non-marketable equity securities, which the Company holds as other investments, are valued at cost. Provision for possible loss on other investments is included in determining earnings when the carrying amount exceeds its recoverable amount.

36 Vessels, condominium and equipment

Vessels and equipment are valued at cost less accumulated depreciation.

Condominium, acquired before 1996, are valued at appraisal value less accumulated depreciation. The condominium acquired subsequent to the appraisal dates are valued at cost less accumulated depreciation. The surplus resulted from the revaluation is belongs to a subsidiary, which has been presented by netting off investments accounted for under equity method.

37 Depreciation and amortisation

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

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

As at 31 December 2002 and 2001, three subsidiaries have vessels and equipment at cost of approximately Baht 526.8 million (USD 21 million) and Baht 529.3 million (USD 21 million), with residual value of approximately Baht 165.7 million (USD 6.5 million) and Baht 163.2 million (USD 6.4 million), respectively. The subsidiaries depreciated their vessels and equipment since their acquisition by the straight-line method for a period of seven years and five years, respectively on cost net of residual value and have fully depreciated their vessels during the year 2002 and 2001. However, the subsidiaries made a survey of the estimated useful life and residual value of their vessels and expected that the useful life should be extended for another five years with the residual value of USD 0.7 million per vessel. Those subsidiaries, therefore, depreciate their vessels and equipment by the straight-line method for a period of five years on cost net of residual value since the date first fully depreciated during the years 2002 and 2001. Additional depreciation expenses for the years 2002 and 2001 are approximately Baht 73.2 million and Baht 64.7 million, respectively.

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

38 Provision for assets impairment

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

39 Foreign currencies

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

310 Earnings per share

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

No diluted earnings per share for 2002 and 2001 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 20.

311 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles in certain circumstances requires management to make estimates and assumptions that affect amounts reported in the accompanying financial statements and notes thereto. Actual results could differ from these estimates.

312 Employees' benefits

The Company and subsidiaries and their employees have jointly registered provident fund scheme under Provident Fund Act B.E. 2530. The funds are contributed at the rate of 5 percent of their basic salaries by both the Company/the subsidiaries and the employees and managed by Bangkok Bank Public Company Limited. The funds will be paid to the employees upon retirement, resignation and termination in accordance with the rules of staff provident fund. During the year 2002 and 2001, approximately Baht 0.82 million and Baht 0.84 million, respectively, have been contributed to the fund by the Company and subsidiaries (The Company only : Baht 0.56 million and Baht 0.59 million, respectively).

4 CURRENT INVESTMENTS - TIME DEPOSITS

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

5 TRADE ACCOUNTS RECEIVABLE

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

	CONSOLIDATED		(Unit : Thousand Baht) THE COMPANY ONLY	
	2002	2001	2002	2001
Less than 3 months	131,366	110,083	-	-
3 - 6 months	4,907	2,314	-	-
6 - 12 months	5,518	3,768	-	-
More than 12 months	93,170	96,202	2,016	2,066
Total	234,961	212,367	2,016	2,066
Less : Allowance for doubtful accounts	(92,942)	(91,548)	(2,016)	(2,066)
Trade accounts receivable - net	142,019	120,819	-	-

6 RELATED PARTY TRANSACTIONS

During the years, the Company had significant business transactions with its subsidiaries, associated and related companies (related by way of common shareholders and/or directors). Such transactions, have been concluded on the terms and basis as 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 :-

	CONSOLIDATED		(Unit : Thousand Baht) THE COMPANY ONLY	
	2002	2001	2002	2001
<u>Transactions with subsidiaries</u>				
(Eliminated from consolidated financial statements)				
Interest income	-	-	2,615	2,639
Administrative expenses	-	-	6,612	6,348
<u>Transactions with related companies</u>				
Rental and related expenses	1,569	2,045	786	1,028
Air ticket expenses	13,382	12,377	3,673	2,597

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			
	2001	Increase	Decrease	2002
<u>Receivable from and advances to subsidiaries</u>				
Precious Hills Limited	130,364	47,156	86,829	90,691
Great Circle Shipping Agency Limited	147,172	21,871	34,842	134,201
Precious Capitals Limited	169,867	211,735	201,088	180,514
Precious Jasmines Limited	163,328	154,252	255,784	61,796
Precious Orchids Limited	62,694	105,300	158,974	9,020
Precious Seas Limited	67,713	59,892	87,867	39,738
Precious Resorts Limited	85,065	115,970	87,396	113,639
Precious Shipping (Mauritius) Limited	52,344	225,546	229,540	48,350
Precious Trees Limited	31,929	24,803	54,674	2,058
Precious Stars Limited	112,896	101,408	76,356	137,948
Precious Ponds Limited	17,379	25,190	42,361	208
Precious Cliffs Limited	33,632	100,383	85,848	48,167
Geepee Corporation Limited	38,759	61	16,672	22,148
Nedtex Limited	9,383	25,798	28,831	6,350
Precious Lakes Limited	3,977	283	267	3,993
Precious Rivers Limited	10,470	-	10,470	-
Precious Storage Terminals Limited	5,289	-	5,289	-
Regidor Pte. Limited	344	-	344	-
Thebes Pte. Limited	327	-	327	-
Precious Shipping (Panama) S.A.	8,063	-	8,063	-
Precious Shipping (UK) Limited	25,492	-	25,492	-
Precious Mountains Limited	-	127,781	76,442	51,339
Total	1,176,487	1,347,429	1,573,756	950,160

(Unit : Thousand Baht)

	THE COMPANY ONLY			
	2001	Increase	Decrease	2002
<i>Payable to and advances from subsidiaries</i>				
Precious Shipping (Singapore) Pte. Limited	349,191	331,178	201,163	479,206
Precious Wishes Limited	251,583	124,494	103,792	272,285
Precious Metals Limited	207,717	65,159	20,862	252,014
Precious Minerals Limited	139,955	-	31	139,924
Precious Cities Limited	139,478	-	31	139,447
Precious Stones Shipping Limited	137,697	11	41	137,667
Precious Flowers Limited	121,942	99,036	84,584	136,394
Precious Forests Limited	95,029	116,459	88,452	123,036
Precious Planets Limited	146,201	62,656	41,037	167,820
Precious Diamonds Limited	72,054	59,472	72,252	59,274
Precious Lagoons Limited	46,037	83,313	68,274	61,076
Precious Opals Limited	23,906	-	30	23,876
Precious Lands Limited	21,353	-	31	21,322
Precious Rubies Limited	66,764	706	1,537	65,933
Precious Sapphires Limited	2,132	8,163	8,393	1,902
Precious Pearls Limited	20,936	48,075	14,868	54,143
Precious Garnets Limited	20,250	51,855	14,910	57,195
Precious Ornaments Limited	-	31	31	-
Precious Oceans Limited	49,384	114,706	52,573	111,517
Precious Rivers Limited	-	141,791	130,602	11,189
Precious Emeralds Limited	11,622	50,028	25,260	36,390
Precious Mountains Limited	4,098	-	4,098	-
Precious Storage Terminals Limited	-	57,664	56,498	1,166
Precious Ventures Limited	32,958	156,917	123,906	65,969
Regidor Pte. Limited	-	506	489	17
Thebes Pte. Limited	-	479	462	17
Precious Shipping (Panama) S.A.	-	141,340	137,717	3,623
Precious Shipping (UK) Limited	-	163,739	155,382	8,357
Total	<u>1,960,287</u>	<u>1,877,778</u>	<u>1,407,306</u>	<u>2,430,759</u>

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

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

(Unit : Thousand Baht)		
THE COMPANY ONLY		
	2002	2001
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

In addition, during the current year the Company has recorded guarantee obligation of Baht 31.59 million as an expense in the 2002 earnings statement. This obligation is payable to claimant on account of guarantee issued (please refer to Note 17 b)). The Company has already paid Baht 10 million to that creditor, the remaining Baht 21 million was recorded as “Accrued guarantee obligation” in the balance sheet.

7. INVESTMENTS

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

(Unit : Thousand Baht)						
	Percentage of	Cost	CONSOLIDATED		THE COMPANY ONLY	
	Ownership	Method	Equity Method		Equity Method	
	2002/2001	2002/2001	2002	2001	2002	2001
<u>Investments accounted for under equity method</u>						
<u>Subsidiaries</u>						
Precious Shipping (Singapore)						
Pte. Limited	100.00	363,338			607,050	558,760
Precious Metals Limited	99.99	250,000			354,449	318,426
Precious Wishes Limited	99.99	229,999			309,575	287,979
Precious Capitals Limited	99.99	199,999			226,207	154,429

(Unit : Thousand Baht)

	Percentage of Ownership	Cost Method	CONSOLIDATED		THE COMPANY ONLY	
			Equity Method		Equity Method	
			2002	2001	2002	2001
Precious Oceans Limited	99.99	175,000			333,884	296,807
Precious Minerals Limited	99.99	140,000			139,890	137,961
Precious Stones Shipping Limited	99.99	140,000			137,688	137,720
Precious Mountains Limited	99.99	139,999			191,467	166,895
Precious Hills Limited	99.99	139,999			260,418	230,730
Precious Resorts Limited	99.99	139,999			171,900	144,316
Precious Lagoons Limited	99.99	139,999			189,775	159,399
Precious Cities Limited	99.99	139,999			139,442	139,473
Precious Cliffs Limited	99.99	139,999			79,498	58,405
Great Circle Shipping Agency Limited	99.99	121,995			(44,821)	(32,039)
Precious Stars Limited	99.99	105,000			115,965	83,901
Precious Seas Limited	99.99	100,000			216,810	161,045
Precious Planets Limited	99.99	100,000			190,220	156,384
Precious Jasmines Limited	99.99	97,999			254,729	186,962
Precious Ventures Limited	99.99	79,999			164,906	114,345
Precious Diamonds Limited	99.99	55,000			155,623	137,306
Precious Orchids Limited	99.99	51,999			152,174	109,449
Precious Rivers Limited	99.99	44,000			54,340	38,121
Precious Forests Limited	99.99	39,999			119,656	66,912
Precious Trees Limited	99.99	39,999			47,337	14,808
Precious Flowers Limited	99.99	38,999			146,839	112,671
Precious Pearls Limited	99.99	38,999			125,836	84,731
Precious Emeralds Limited	99.99	32,000			98,913	80,441
Precious Ponds Limited	99.99	31,999			79,548	52,472
Precious Garnets Limited	99.99	30,999			113,569	83,798
Precious Rubies Limited	99.99	24,000			65,847	65,926
Precious Lands Limited	99.99	24,000			21,253	21,251
Precious Opals Limited	99.99	24,000			23,904	23,937
Precious Lakes Limited	99.99	24,000			(3,725)	(3,459)
Precious Sapphires Limited	99.99	23,999			672	3,073
Geepee Corporation Limited	99.88	5,874			(3,878)	2,660
Precious Storage Terminals Limited	69.99	4,199			(12,669)	(11,739)
Nedtex Limited	69.99	648			(14,290)	(13,061)
Precious Shipping (UK) Limited	99.99	250			7,729	6,045
Precious Shipping (Panama) S.A.	99.99	250			(97)	30
Precious Shipping (Mauritius) Limited	99.99	250			(171,692)	(24,847)
Precious Comets Limited	99.40	99			(64)	(33)
Precious Ornaments Limited	99.40	99			(64)	(34)

	(Unit : Thousand Baht)					
	Percentage of Ownership	Cost Method	CONSOLIDATED		THE COMPANY ONLY	
	2002/2001	2002/2001	Equity Method		Equity Method	
			2002	2001	2002	2001
Thebes Pte. Limited	100.00	0.0365			(479)	16
Regidor Pte. Limited	100.00	0.0503			(532)	(26)
Total net investments in subsidiaries		<u>3,478,984</u>			<u>5,044,802</u>	<u>4,312,346</u>
Investments accounted for under equity method					5,297,114	4,397,584
Share of losses over investments					(252,312)	(85,238)
Net					<u>5,044,802</u>	<u>4,312,346</u>

(Unit : Thousand Baht)								
	Percentage of		Cost method		CONSOLIDATED		THE COMPANY ONLY	
	Ownership		Cost method		Equity Method		Equity Method	
	2002	2001	2002	2001	2002	2001	2002	2001
Other investments								
International Seaports Pte. Limited	33.33	33.33	17,225	17,225	22,955	22,955	22,955	22,955
Dhamra Port Company Private Limited	26.37	26.37	96,889	91,765	96,889	91,754	-	-
Southern LPG Limited	39.96	39.96	31,716	31,716	19,365	19,365	-	-
Kakinada Seaports Limited	16.65	16.65	22,144	15,285	22,144	15,285	-	-
International Seaports (Haldia) Private Limited	17.83	-	35,556	-	35,556	-	-	-
Total			<u>203,530</u>	<u>155,991</u>	<u>196,909</u>	<u>149,359</u>	<u>22,955</u>	<u>22,955</u>
Less : Provision for possible loss on investments					(161,353)	-	(22,955)	-
Net other investments					<u>35,556</u>	<u>149,359</u>	<u>-</u>	<u>22,955</u>
Net current investments					-	149,359	-	22,955
Net long-term investments					35,556	-	-	-
Total net other investments					<u>35,556</u>	<u>149,359</u>	<u>-</u>	<u>22,955</u>

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 December 2002, the Company has pledged the shares of twenty-three subsidiaries amounting to Baht 3,840 million (2001 : twenty subsidiaries amounting to Baht 2,937 million), stated under the equity method, with banks to secure the long-term loans referred to in Note 10.

During the current year, an overseas subsidiary has acquired 22.29% of ordinary shares in International Seaports (Haldia) Private Limited at par value. Based on indirect holding, the Company holds 17.83% of the registered capital of that company. The above company engages in the business of design, construction, development and operation of a berth in India.

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).

8 VESSELS, CONDOMINIUM AND EQUIPMENT

(Unit : Thousand Baht)

	CONSOLIDATED						
	Assets at appraisal value		Assets at cost				
	Condominium	Condominium	Plant equipment	Vessels and equipment	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement
Cost / Appraised value							
31 December 2001	185,845	11,957	114,582	7,872,001	42,346	12,992	750
Acquisitions	-	-	-	-	193	1,581	-
Disposals	(10,782)	(3,303)	-	(305,533)	(7,868)	(1,460)	-
31 December 2002	175,063	8,654	114,582	7,566,468	34,671	13,113	750
Accumulated depreciation							
31 December 2001	59,902	4,764	61,705	3,301,701	36,006	10,339	459
Depreciation for the year	4,867	513	10,455	456,427	1,315	1,167	73
Depreciation on revaluation surplus	4,983	-	-	-	-	-	-
Depreciation on disposals	(3,979)	(1,282)	-	(238,032)	(4,736)	(1,045)	-
31 December 2002	65,773	3,995	72,160	3,520,096	32,585	10,461	532
Net book value							
31 December 2001	125,943	7,193	52,877	4,570,300	6,340	2,653	291
31 December 2002	109,290	4,659	42,422	4,046,372	2,086	2,652	218
Depreciation for the year							
2001							544,049
2002							479,800
Net book value as presented at historical cost							
31 December 2001	82,001						
31 December 2002	70,795						

(Unit: Thousand Baht)

	THE COMPANY ONLY			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<u>Cost</u>				
31 December 2001	13,574	9,897	750	24,221
Acquisitions	111	1,492	-	1,603
Disposals	(2,161)	(796)	-	(2,957)
31 December 2002	11,524	10,593	750	22,867
<u>Accumulated depreciation</u>				
31 December 2001	11,372	7,614	459	19,445
Depreciation for the year	972	1,137	73	2,182
Depreciation on disposals	(2,161)	(796)	-	(2,957)
31 December 2002	10,183	7,955	532	18,670
<u>Net book value</u>				
31 December 2001	2,202	2,283	291	4,776
31 December 2002	1,341	2,638	218	4,197
<u>Depreciation for the year</u>				
2001				2,759
2002				2,182

As at 31 December 2002, the subsidiaries have mortgaged twenty-eight vessels with net book value of Baht 4,046 million (2001 : thirty-one vessels amounting to Baht 4,570 million) and condominium units with net book value of Baht 114 million (2001 : Baht 133 million) with banks to secure long-term loans as referred to in Note 10.

During 2002, certain subsidiaries disposed of their three vessels and two condominium units with gain of Baht 24 million (2001 : four vessels, two barges and a condominium unit with loss of Baht 14 million).

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

9 DEFERRED CHARGES

	(Unit : Baht)	
	CONSOLIDATED	
	2002	2001
Dry-dock expenses	282,009,844	346,027,928
Special survey expenses	276,314,516	264,348,198
Pre-operating expenses	-	1,307,516
Total deferred charges	558,324,360	611,683,642
Less : Accumulated amortisation	(338,959,117)	(389,701,209)
Deferred charges - net	219,365,243	221,982,433
Amortisation for the year	155,170,899	166,747,399

10 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 December 2002 and 2001 were as follows:

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Original loans	1,519,414	2,395,492	-	60,677
Commercial loans	1,618,368	1,701,730	1,618,368	1,701,730
Less : Current portion	(393,386)	(590,107)	-	(54,651)
Long-term portion	2,744,396	3,507,115	1,618,368	1,707,756

Original loans

As at 31 December 2002, the Company and its nineteen subsidiaries had outstanding loans from various banks and financial institutions aggregating approximately Baht 241.4 million and USD 29.5 million (2001 : Baht 289.6 million, USD 47.1 million and INR 15 million) on which interest is charged at fixed and floating rates specified in the agreements. According to the repayment schedule, the loans will be repaid in quarterly installments commencing 31 March 2000 until the end of 2005. During the current year, the Company and certain subsidiaries repaid approximately Baht 48.2 million and USD 17.6 million and INR 15 million (2001 : Baht 65.7 million and USD 22.7 million) of the loans.

As at 31 December 2002, these loans are secured by the following :-

- a) The mortgage of twenty-four vessels belonging to subsidiaries (Note 8).
- b) The pledge of the shares of nineteen subsidiaries (Note 7).
- 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 year, the Company repaid approximately Baht 83.36 million (2001 : Baht 42.7 million). These loans are secured by pledge of the shares of four subsidiaries (Note 7), the mortgage and the assignment of the insurance policy of four vessels of subsidiaries and the condominium units of a subsidiary (Note 8). The Company has to comply with certain conditions and restrictions provided in the above loan agreements such as :-

- 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.

11. REDEEMABLE CONVERTIBLE DEBENTURES

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

On 17 July 2000, the Company issued Thai Baht 589,503,000 and USD 20,936,297 of zero coupon RCDs. Under the terms and conditions of the Thai Baht's and US dollar's RCDs, the Company had an option to redeem the debentures within a period of thirty months from the issue date (due on 16 January 2003). In the first six months from the issue date, the redemption amount payable by the Company is 41.67% of the face value of the RCDs. In the next quarter such redemption amount is increased to 53.34% of the face value and it is increased by 5.83% per quarter thereafter. This was a call option (pre-redeemable call option at discount) granted to the Company and was not the obligation of the Company (please refer to Note 20).

If the RCDs were not redeemed by the Company during the above redemption period, the RCD holders had the option to convert them to equity shares of the Company at 95% of the average closing market price of the Company's shares during the month immediately preceding the conversion. If the Thai Baht RCD holders did not exercise the option to convert them within a fixed conversion period, the Company had the obligation to redeem the RCDs through a payment of 0.01% of the face value of the RCDs. The USD RCD holders did not have such redemption right.

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

Recognition and Fair Valuation of RCDs

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

The liability element of the RCDs as at 31 December 2002 was as 94.15% of the par value of the RCDs (2001 : 70.83%). However, before maturity date, the Company has arranged a meeting for the bondholders and the meeting has passed a resolution approving new conditions for the debentures such as those debentures are no longer convertible to shares of the Company (please refer to Note 20). The Company, therefore, classified all outstanding debentures as at 31 December 2002 to be non-current liabilities in the balance sheet and can be summarised as follows :-

	(Unit : Thousand Baht)	
	CONSOLIDATED / THE COMPANY ONLY	
	2002	2001
Redeemable convertible debentures - zero coupon		
- US dollar - USD 14,627,381		648,866
- USD 13,168,180	570,233	
- Thai Baht	316,503	479,703
Less : Unrealised gain on redeemable convertible debentures	-	(329,204)
Redeemable convertible debentures - liability element	<u>886,736</u>	<u>799,365</u>

During the current year, the USD RCDs of USD 1,459,201 was redeemed at the amount of USD 857,698 and THB RCDs of Baht 163 million was redeemed at the amount of Baht 98 million. The redemptions resulted in a total gain of Baht 90.76 million and was recorded as an extraordinary item in the earnings statement for the current year.

During 2001, the USD RCDs of USD 6,308,916 was redeemed at the amount of USD 2,628,799 and THB RCDs of Baht 109.8 million was redeemed at the amount of Baht 41.05 million. The redemptions resulted in a total gain of Baht 233.07 million and was recorded as an extraordinary item in the 2001 earnings statement.

12 STATUTORY RESERVE

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

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

13 EXCHANGE GAINS (LOSSES)

Exchange gains (losses) for the years ended 31 December 2002 and 2001 were summarized below :-

	(Unit : Thousand Baht)			
	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Realised exchange gains (losses)	32,725	(23,180)	3,069	(9,658)
Unrealised exchange gains (losses)	40,396	(52,283)	14,030	(14,843)
Exchange gains (losses) - net	<u>73,121</u>	<u>(75,463)</u>	<u>17,099</u>	<u>(24,501)</u>

14 DIRECTORS' REMUNERATION

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

15 EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Number of employees at end of year	833	920	66	66
Employee costs for the year (Thousand Baht)	773,621	900,210	113,116	113,049

16 PROMOTIONAL PRIVILEGES

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 5 - 8 years commencing as from the date of first earning operating income on the condition that the vessels owned by the subsidiaries are registered in Thailand. As at 31 December 2002, the twenty-four subsidiaries have registered their twenty-seven vessels under the Thai flag (2001 : twenty-four subsidiaries have registered their twenty-nine vessels under the Thai flag).

Revenues and expenses for 2002 and 2001 (before eliminating related transactions), classified between promoted and non-promoted business can be summarised below :-

(Unit : Thousand Baht)

	Promoted Business		Non-Promoted Business		Total	
	2002	2001	2002	2001	2002	2001
Revenues	2,873,452	3,397,817	1,311,021	1,785,719	4,184,473	5,183,536
Costs and expenses	2,088,472	2,638,786	1,358,117	1,739,794	3,446,589	4,378,580
Net earnings (loss)	784,980	759,031	(47,096)	45,925	737,884	804,956

17. COMMITMENTS AND CONTINGENT LIABILITIES

- a) As at 31 December 2002, the Company is contingently liable as guarantor for the payment of subsidiaries' loans totalling approximately USD 29.49 million and Baht 241.35 million (2001 : USD 45.77 million and Baht 289.55 million)
- b) As at 31 December 2002, the Company has no contingent liability as guarantor for the payment of two related companies' loans (2001 : INR 15 million and USD 6.5 million).
- c) As at 31 December 2002, the Company and subsidiaries are defendants against maritime claims whereby total liabilities may aggregate up to USD 0.6 million (2001 : USD 0.8 million). The ultimate outcome of these claims cannot be determined at this time, but management anticipates that no material liability will arise. Accordingly, no provision has been provided in the accounts.
- d) At as 31 December 2002, the Company has commitment to the financial advisor for approximately USD 0.22 million payable on successful restructuring of the RCDs.

18 FINANCIAL INSTRUMENTS

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

181 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 December 2002 was USD 1 : Baht 43.3039 (2001 : Baht 44.3597).

182 Interest Rate Risk

As at 31 December 2002 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
Financial assets :-									
Cash and cash equivalents	329,259	-	-	456	329,715	-	1.25	-	-
Trade accounts receivable	-	-	-	142,019	142,019	-	-	-	-
Receivable and advances to related parties - other related companies	-	-	-	25,983	25,983	-	-	-	-
Total	329,259	-	-	168,458	497,717				
Financial liabilities :-									
Long-term loans	1,519,414	-	1,618,368	-	3,137,782	6.75	2.85	7.00	-
Trade accounts payable	-	-	-	100,232	100,232	-	-	-	-
Redeemable convertible debentures	-	-	-	886,736	886,736	-	-	-	-
Total	1,519,414	-	1,618,368	986,968	4,124,750				

183 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.

184 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.

19 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.

20 SUBSEQUENT EVENTS

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 debentures, effective from 16 January 2003, which can be summarised as follows :-

- a) The debentures 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 debentures will be redeemed 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 debentures, effective from 17 January 2003, which can be summarised as follows :-

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

21. PRESENTATION AND RECLASSIFICATION

The presentation of the financial statements has been made in compliance with the stipulations of the notification of the Commercial Registration Department dated 14 September 2001, as empowered under the Accounting Act B.E. 2543.

Certain amounts in the financial statements for the year ended 31 December 2001 have been reclassified to conform to the current year's classifications, with no effect on the previously reported net earnings or shareholders' equity.

22. APPROVAL OF FINANCIAL STATEMENTS

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