

PRECIOUS SHIPPING PUBLIC COMPANY LIMITED AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

**1. GENERAL 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.

**2. BASIS OF PREPARATION**

2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

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

2.2 Basis of consolidation

a) The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited and the following subsidiaries:

Company's name	Nature of business	Country of incorporation	Percentage		Assets as a percentage to		Revenues as a percentage to the	
			directly and indirectly owned		the consolidated		consolidated total	
			by the Company		total assets as at		revenues for the years	
			2007	2006	31 December		2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries held by the Company</u>								
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99	1.54	2.18	3.51	3.75
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99	1.50	2.84	4.23	3.92
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99	4.25	5.27	2.04	2.44
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99	3.74	4.74	3.57	3.47
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99	0.65	0.97	2.29	1.96
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99	3.67	5.39	3.60	4.10
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99	0.92	1.35	1.47	1.61
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99	1.43	1.95	1.58	1.73
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99	1.34	1.79	1.84	1.87

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2007	2006	2007	2006	2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99	0.94	1.33	1.84	2.08
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99	1.89	1.92	4.62	3.89
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99	3.36	4.73	3.31	4.03
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99	2.41	3.05	1.86	1.98
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99	7.15	8.88	4.18	5.47
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99	0.64	0.95	2.51	1.92
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99	0.50	0.54	2.25	2.10
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99	6.15	8.41	4.62	5.45
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99	0.53	1.54	3.79	4.17
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99	0.83	1.90	5.21	3.57
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99	0.91	1.76	3.75	3.87
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99	0.81	1.76	4.85	3.53
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99	1.13	2.19	2.95	3.04
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99	0.70	1.01	3.85	3.27
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99	1.40	2.28	3.92	3.33
25. Precious Jasmynes Limited	Shipowner	Thailand	99.99	99.99	0.87	1.07	4.10	3.56
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99	5.06	5.18	3.68	4.30
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99	1.57	1.97	1.32	1.52
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99	1.64	1.93	1.36	1.62
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99	1.85	2.25	1.25	1.74
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99	1.95	2.30	1.42	1.65
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99	2.26	2.72	1.36	1.45
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99	2.67	3.32	1.81	2.37
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99	0.66	0.97	1.29	1.89
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99	0.64	0.83	2.04	1.85
35. Nedtex Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
36. Precious Storage Terminals Limited	Bulk storage barges*	Thailand	69.99	69.99	-	-	-	-
37. Thebes Pte. Limited	Investment holding company*	Singapore	100.00	100.00	-	-	-	-
38. Precious Shipping (Panama) S.A.	Shipowner/ Chartering	Panama	99.99	99.99	1.89	0.18	0.20	(0.07)
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00	-	0.11	-	-
40. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00	2.29	3.52	0.19	0.06
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99	0.01	0.83	0.04	0.05
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99	1.33	1.81	0.10	0.22
43. Precious Projects Pte. Limited	Investment holding company	Singapore	100.00	-	-	-	-	-

Subsidiaries	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company		Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the years ended 31 December	
			2007	2006	2007	2006	2007	2006
			Percent	Percent	Percent	Percent	Percent	Percent
<u>Subsidiaries held by subsidiaries</u>								
44. Rapid Port Leasing Company Pte. Limited	Holding company*	Singapore	100.00	100.00	-	-	-	-
45. PSL Bulk Terminal Company Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
46. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00	-	-	-	-
47. International Lighterage Limited	Holding company	Mauritius	100.00	100.00	0.92	0.89	0.38	0.21
48. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06	0.43	0.36	1.38	1.34
49. Regidor Pte. Limited	Holding company*	Singapore	100.00	100.00	-	-	-	-

\*Currently suspended their businesses

- b) The financial statements of overseas subsidiary and associated companies are translated into Thai Baht at the closing exchange rate in respect of assets and liabilities, and at monthly average exchange rates in respect of revenues and expenses. The resultant differences have been shown under the caption of “Translation adjustment” in shareholders’ equity.
- c) Material balances and transactions between the Company and subsidiaries, and investments in subsidiaries by the Company and shareholders’ equity of the subsidiaries have been eliminated from the consolidated financial statements.

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

### 3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

**a) Accounting Standards which are effective for the current year**

TAS 44 (revised 2007)	Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44, as discussed in Note 4. However, Thai Accounting Standards No. 45 and 46 have no impact on the financial statements since the Company does not have investments in jointly controlled entities and associates.

**b) Accounting Standards which are not effective for the current year**

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

**4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS**

During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated Financial Statements and Separate Financial Statements”, under which investments in subsidiaries are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period's separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of increasing net income in the separate income statement for the year ended 31 December 2007 by Baht 4.0 million (Baht 0.004 per share) (2006: decreasing by Baht 1,478.0 million (Baht 1.440 per share)). The cumulative effect of the change in accounting policy has been presented under the heading of "Cumulative effect of the change in accounting policy for investments in subsidiaries" in the separate statements of changes in shareholders' equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company's separate financial statements, with no effect to the consolidated financial statements.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1 Revenue and expense recognition**

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

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

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

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

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

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

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

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

### **5.2 Cash and cash equivalents**

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

### **5.3 Trade accounts receivable**

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

#### **5.4 Bunker oil**

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

#### **5.5 Investments**

- a) Investments in debt securities, both due within one year and expected to be held to maturity, are recorded at amortised cost. Premiums/discounts on debt securities are amortised by the effective rate method, with the amortised amount presented as an adjustment to the interest income.
- b) Investments in non-marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- d) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

#### **5.6 Property, plant and equipment**

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

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

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

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

## **5.7 Depreciation**

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

Vessels and equipment	3 - 25 years
Dry-dock and special survey expenses	2 years and 4 years respectively
Condominium	20 years
Leasehold improvement	5 years
Others	5 years

Depreciation is included in determining income.

No depreciation is provided on land and work in progress.

## **5.8 Related party transactions**

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

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

## **5.9 Foreign currencies**

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

## **5.10 Impairment of assets**

The Company and subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

## **5.11 Employees' benefits**

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

## **5.12 Provisions**

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

#### *Provisions for maritime claims*

Provisions for maritime claims are recorded by the subsidiaries upon receipt of the claim advices from the charterers, based on the maximum liabilities of the subsidiaries stipulated in the relevant policies.

#### **5.13 Income tax**

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

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

#### **5.14 Derivatives**

##### **Treasury Rate Lock Agreements**

The net amount of interest to be received from or paid to the counterparty under the Treasury Rate Lock Agreements is recognised as income or expenses, based on the change in the fair value of the derivatives.

#### **5.15 Treasury stock**

Treasury stock is stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

#### **5.16 Use of accounting estimates**

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

## 6. CURRENT INVESTMENT

(Unit: Thousand Baht)

	Consolidated financial statements							
	Paid-up capital		Shareholding percentage		Cost		Carrying amounts based on equity method	
	2007	2006	2007	2006	2007	2006	2007	2006
	Thousand INR	Thousand INR	Percent	Percent				
<i><b>Investment in associate held by a subsidiary</b></i>								
Southern LPG Limited	64,592	64,592	50.00	50.00	31,716	31,716	19,365	19,365
Less: Allowance for loss on investment							(19,365)	(19,365)
Current investment - net							-	-

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

## 7. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006 are aged, based on invoice date, as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2007	2006
<u>Age of receivables</u>		
Not over 3 months	33,268	79,742
3 - 6 months	531	4,655
6 - 12 months	723	16,585
Over 12 months	34,037	36,910
Total	68,559	137,892
Less: Allowance for doubtful accounts	(33,920)	(36,785)
Trade accounts receivable - net	34,639	101,107

## 8. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and basis agreed upon in the ordinary course of business between the Company and those companies. Below is a summary of those transactions.

(Unit: Thousand Baht)

	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2007	2006	2007	2006	
<b><u>Transactions with subsidiaries</u></b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	96,300	92,656	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Service income - commission from vessel sales	-	-	58,451	-	3 percent of vessels' selling price
Dividend received	-	-	4,453,245	2,465,216	As declared
Condominium rental expenses	-	-	9,549	10,016	Market price
<b><u>Transactions with related companies</u></b>					
Dividend received	12,806	16,814	-	-	As declared
Air ticket expenses	16,061	26,568	3,350	4,360	Market price
Rental and service expenses	7,323	2,333	3,813	1,876	Market price

The balances of the accounts as at 31 December 2007 and 2006 between the Company and those subsidiary companies are as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	2006	Increase	Decrease	2007
<b><i>Receivable from and advances to subsidiaries</i></b>				
Precious Stones Shipping Limited	184,648	34,454	177,956	41,146
Precious Minerals Limited	96,574	-	96,574	-
Precious Lands Limited	1,206	-	1,206	-
Precious Rivers Limited	98,251	527,356	553,487	72,120
Precious Lakes Limited	2,081	146,847	146,980	1,948
Precious Seas Limited	1,942	-	1,942	-
Precious Stars Limited	1,368	-	1,368	-
Precious Planets Limited	2,418	316,822	318,426	814
Precious Diamonds Limited	125,440	-	125,440	-
Precious Sapphires Limited	55,487	-	55,487	-
Precious Emeralds Limited	350,626	238,407	407,607	181,426
Precious Rubies Limited	2,777	-	2,777	-
Precious Garnets Limited	317,703	305,110	618,724	4,089
Precious Pearls Limited	2,958	-	2,958	-
Precious Flowers Limited	1,667	-	1,667	-
Precious Forests Limited	1,867	-	1,867	-
Precious Trees Limited	1,772	-	1,772	-
Precious Ponds Limited	1,868	488,116	485,781	4,203
Precious Orchids Limited	2,630	284,505	246,833	40,302
Precious Lagoons Limited	12,313	-	12,313	-
Precious Cliffs Limited	1,143	-	1,143	-
Precious Hills Limited	1,904	104,101	100,124	5,881
Precious Mountains Limited	585	-	585	-
Precious Resorts Limited	32,468	-	32,468	-
Precious Cities Limited	17,676	144,176	158,228	3,624
Precious Comets Limited	1,013	-	1,013	-
Precious Ornaments Limited	188	-	188	-
Nedtex Limited	86	22	-	108
Precious Storage Terminals Limited	42	22	-	64
Thebes Pte. Limited	845	59	-	904
Precious Shipping (Panama) S.A.	-	348,147	43,465	304,682
Precious Shipping (Mauritius) Limited	135,612	1,482	16,260	120,834
Precious Shipping (UK) Limited	101,338	-	101,338	-
Great Circle Shipping Agency Limited	199,436	20,889	3,915	216,410
Precious Projects Pte. Ltd.	-	1	-	1
Total	<u>1,757,932</u>	<u>2,960,516</u>	<u>3,719,892</u>	<u>998,556</u>

(Unit: Thousand Baht)

	Separate financial statements			
	2006	Increase	Decrease	2007
<b><i><u>Payable to and advances from subsidiaries</u></i></b>				
Precious Metals Limited	38,393	501,937	426,935	113,395
Precious Wishes Limited	21,292	527,241	445,352	103,181
Precious Minerals Limited	-	291,674	274,992	16,682
Precious Lands Limited	-	273,683	246,981	26,702
Precious Seas Limited	-	143,490	114,656	28,834
Precious Stars Limited	-	168,767	136,480	32,287
Precious Oceans Limited	67,793	330,915	311,448	87,260
Precious Diamonds Limited	-	947,937	923,529	24,408
Precious Sapphires Limited	-	156,104	123,587	32,517
Precious Rubies Limited	-	222,375	179,108	43,267
Precious Opals Limited	39,472	210,506	195,543	54,435
Precious Pearls Limited	-	640,725	595,367	45,358
Precious Flowers Limited	-	633,318	603,745	29,573
Precious Forests Limited	-	588,141	553,549	34,592
Precious Trees Limited	-	473,506	451,930	21,576
Precious Ventures Limited	57,718	536,571	550,787	43,502
Precious Capitals Limited	13,037	422,928	399,640	36,325
Precious Jasmines Limited	36,272	424,838	374,869	86,241
Precious Lagoons Limited	-	87,957	82,391	5,566
Precious Cliffs Limited	-	99,384	96,462	2,922
Precious Mountains Limited	-	116,823	111,194	5,629
Precious Resorts Limited	-	97,989	97,633	356
Precious Comets Limited	-	189,975	180,695	9,280
Precious Ornaments Limited	-	219,722	210,325	9,397
Precious Shipping (Panama) S.A.	14,103	-	14,103	-
Precious Shipping (Singapore) Pte. Limited	291,062	305,445	129,425	467,082
Precious Shipping (UK) Limited	-	102,435	102,360	75
Total	<u>579,142</u>	<u>8,714,386</u>	<u>7,933,086</u>	<u>1,360,442</u>

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

### Directors and management's remuneration

In 2007 the Company and subsidiaries paid salaries, bonuses, personal income tax, house rental, contributions to provident fund, other allowances, and meeting allowances to their directors and management. Details of directors and management's remuneration included in administrative expenses can be summarised as follows:

(Unit: Thousand Baht)

	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Directors	7,112	5,805	7,112	5,805
Management	138,581	100,701	122,961	88,869
Total	<u>145,693</u>	<u>106,506</u>	<u>130,073</u>	<u>94,674</u>

### Subordinated loans from subsidiaries

During the year 2006, the Company repaid subordinated interest-free-loans from subsidiaries amounting to Baht 662.8 million by offsetting such loans against the amounts receivable from/payable to subsidiaries in the balance sheet.

## **9. OTHER CURRENT ASSETS**

(Unit: Baht)

	<u>Consolidated</u>		<u>Separate</u>	
	<u>financial statements</u>		<u>financial statements</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Advances to vessel masters	100,196,046	111,251,224	-	-
Claim recoverable	100,254,008	26,347,145	184,290	221,803
Others	<u>51,927,935</u>	<u>62,071,930</u>	<u>28,981,929</u>	<u>17,063,990</u>
Total	<u>252,377,989</u>	<u>199,670,299</u>	<u>29,166,219</u>	<u>17,285,793</u>

## 10. 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		Cost		Dividend received	
	2007	2006	percentage		2007	2006	for the years ended	
			2007	2006			31 December	
		Percent	Percent			2007	2006	
Precious Metals Limited	250,000	250,000	99.99	99.99	250,000	250,000	126,250	162,500
Precious Wishes Limited	230,000	230,000	99.99	99.99	229,999	229,999	160,999	115,000
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	260,000	260,000	-	-
Precious Minerals Limited	230,000	230,000	99.99	99.99	230,000	230,000	94,300	-
Precious Lands Limited	84,000	84,000	99.99	99.99	84,000	84,000	86,939	55,440
Precious Rivers Limited	234,000	234,000	99.99	99.99	234,000	234,000	156,780	-
Precious Lakes Limited	99,000	99,000	99.99	99.99	99,000	99,000	93,059	33,165
Precious Seas Limited	100,000	100,000	99.99	99.99	100,000	100,000	89,999	147,499
Precious Stars Limited	105,000	105,000	99.99	99.99	105,000	105,000	94,499	81,900
Precious Oceans Limited	175,000	175,000	99.99	99.99	175,000	175,000	92,750	146,999
Precious Planets Limited	100,000	100,000	99.99	99.99	100,000	100,000	230,999	118,999
Precious Diamonds Limited	205,000	205,000	99.99	99.99	205,000	205,000	32,800	71,750
Precious Sapphires Limited	144,000	144,000	99.99	99.99	143,999	143,999	38,880	-
Precious Emeralds Limited	366,000	366,000	99.99	99.99	366,000	366,000	-	-
Precious Rubies Limited	84,000	84,000	99.99	99.99	84,000	84,000	102,479	37,380
Precious Opals Limited	74,000	74,000	99.99	99.99	74,000	74,000	112,849	62,899
Precious Garnets Limited	379,000	379,000	99.99	99.99	378,999	378,999	56,850	-
Precious Pearls Limited	73,000	73,000	99.99	99.99	72,999	72,999	270,828	49,275
Precious Flowers Limited	76,000	76,000	99.99	99.99	75,999	75,999	281,198	106,779
Precious Forests Limited	96,000	96,000	99.99	99.99	95,999	95,999	225,598	83,519
Precious Trees Limited	80,000	80,000	99.99	99.99	79,999	79,999	375,197	53,200
Precious Ponds Limited	84,000	84,000	99.99	99.99	83,999	83,999	230,998	67,199
Precious Ventures Limited	80,000	80,000	99.99	99.99	79,999	79,999	286,398	125,999
Precious Capitals Limited	200,000	200,000	99.99	99.99	199,999	199,999	301,999	292,999
Precious Jasmines Limited	98,000	98,000	99.99	99.99	97,999	97,999	229,809	195,019
Precious Orchids Limited	217,000	217,000	99.99	99.99	216,999	216,999	167,089	37,975
Precious Lagoons Limited	140,000	140,000	99.99	99.99	139,999	139,999	46,200	57,400
Precious Cliffs Limited	140,000	140,000	99.99	99.99	139,999	139,999	63,000	104,299
Precious Hills Limited	140,000	140,000	99.99	99.99	139,999	139,999	65,800	68,600
Precious Mountains Limited	140,000	140,000	99.99	99.99	139,999	139,999	67,200	37,800
Precious Resorts Limited	140,000	140,000	99.99	99.99	139,999	139,999	35,000	-
Precious Cities Limited	170,000	170,000	99.99	99.99	169,999	169,999	105,400	27,200
Precious Comets Limited	71,100	71,100	99.99	99.99	71,099	71,099	40,527	67,900

(Unit: Thousand Baht)

Company's name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended 31 December	
	2007	2006	2007	2006	2007	2006	2007	2006
			Percent	Percent				
Precious Ornaments Limited	68,100	68,100	99.99	99.99	68,099	68,099	90,572	56,522
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. Limited	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	15,000	15,000	99.99	99.99	121,995	121,995	-	-
Precious Projects Pte. Limited	0.0345	-	100.00	-	0.0345	-	-	-
Total investments in subsidiaries					5,623,110	5,623,110	4,453,245	2,465,216
Less: Allowance for loss on investments in subsidiaries					(5,097)	(5,097)		
Total investments in subsidiaries - net					5,618,013	5,618,013		

The Company offset the dividend income against amounts receivable from/payable to subsidiaries in the balance sheets.

During the year 2007, there had been the following changes in the investments in subsidiaries:

- a) In February 2007, an overseas subsidiary (Precious Shipping (Singapore) Pte. Limited) received dividend amounting to SGD 0.3 million from its subsidiary (PSL Thun Shipping Pte. Limited).
- b) In July 2007, the Company acquired a 100 percent equity interest in Precious Projects Pte. Limited, a company registered in Singapore, at a cost of USD 1. The Company is principally engaged as investment holding company.

## 11. INVESTMENT IN ASSOCIATE HELD BY A SUBSIDIARY

### 11.1 Details of associate held by a subsidiary:

(Unit: Thousand Baht)

		Consolidated financial statements						Carrying amounts based on equity method	
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		2007	2006	
			2007	2006	2007	2006	2007	2006	
				Percent	Percent				
International Seaports (Haldia) Private Limited	Design, construction, development and operation of a berth	India	22.40	22.40	<u>87,701</u>	<u>87,701</u>	<u>134,282</u>	<u>119,768</u>	

(Unit: Thousand Baht)

Company's name	Consolidated financial statements			
	Dividend received for the years ended 31 December		Share of income from investment in associate held by a subsidiary for the years ended 31 December	
	2007	2006	2007	2006
International Seaports (Haldia) Private Limited	<u>12,806</u>	<u>16,814</u>	<u>34,127</u>	<u>19,875</u>

Shares of income from investment in associate held by a subsidiary for the year ended 31 December 2007, included in the consolidated income statement, was recorded based on the audited financial statements of that associate as at 30 September 2007.

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

(Unit: Thousand Baht)

Company's name	Paid-up capital as at 30 September		Total assets as at 30 September		Total liabilities as at 30 September		Total revenues for the years ended 30 September		Net income for the years ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	Thousand INR	Thousand INR								
International Seaports (Haldia) Private Limited	440,580	440,580	1,008,471	1,054,270	486,893	546,733	564,440	561,527	152,352	88,728

## 12. OTHER LONG-TERM INVESTMENT

The Company acquired 2,026,086 ordinary shares in TMN Company Limited with a par value of Baht 10 each, representing a 3 percent equity interest. The Company has paid up Baht 5 per share, or a total of Baht 10.1 million.

### 13. PROPERTY, PLANT AND EQUIPMENT

(Unit: Thousand Baht)

	Consolidated financial statements								
	Revaluation basis	Cost basis							
		Vessels and equipment			Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Work in progress	Total
	Land and condominium	Vessels and equipment	Dry-dock and special survey expenses	Total					
<b>Cost/Revaluation amount</b>									
31 December 2006	325,978	18,092,033	1,488,086	19,580,119	43,485	17,908	12,999	37,600	20,018,089
Acquisitions	-	4,495	768,117	772,612	4,379	7,422	-	7,010	791,423
Disposals	-	(1,835,335)	(831,840)	(2,667,175)	-	(4,762)	-	-	(2,671,937)
31 December 2007	325,978	16,261,193	1,424,363	17,685,556	47,864	20,568	12,999	44,610	18,137,575
<b>Accumulated depreciation</b>									
31 December 2006	107,686	8,091,921	748,991	8,840,912	31,304	10,147	4,188	-	8,994,237
Depreciation for the year	9,728	1,331,750	453,255	1,785,005	3,827	3,556	2,146	-	1,804,262
Depreciation for revaluation surplus	20,313	-	-	-	-	-	-	-	20,313
Reversal for disposals	-	(1,632,560)	(613,426)	(2,245,986)	-	(4,762)	-	-	(2,250,748)
31 December 2007	137,727	7,791,111	588,820	8,379,931	35,131	8,941	6,334	-	8,568,064
<b>Net book value:</b>									
31 December 2006	218,292	10,000,112	739,095	10,739,207	12,181	7,761	8,811	37,600	11,023,852
31 December 2007	188,251	8,470,082	835,543	9,305,625	12,733	11,627	6,665	44,610	9,569,511
<b>Depreciation for the year</b>									
2006									2,093,430
2007									1,824,575

(Unit: Thousand Baht)

	Separate financial statements				
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Work in progress	Total
<b>Cost</b>					
31 December 2006	18,019	16,732	7,634	37,600	79,985
Acquisitions	1,570	7,422	-	7,010	16,002
Disposals	-	(4,762)	-	-	(4,762)
31 December 2007	19,589	19,392	7,634	44,610	91,225
<b>Accumulated depreciation</b>					
31 December 2006	8,319	9,206	2,121	-	19,646
Depreciation for the year	3,023	3,321	1,377	-	7,721
Reversal for disposals	-	(4,762)	-	-	(4,762)
31 December 2007	11,342	7,765	3,498	-	22,605
<b>Net book value</b>					
31 December 2006	9,700	7,526	5,513	37,600	60,339
31 December 2007	8,247	11,627	4,136	44,610	68,620
<b>Depreciation for the year</b>					
2006					6,053
2007					7,721

In 2006 a subsidiary arranged for an independent professional valuer to appraise the value of its land and condominium, using the Fair Market Approach. Had the land and condominium been carried in the financial statements based on historical cost, their net book value as of 31 December 2007 and 2006 would have been as follows:

(Unit: Thousand Baht)

	Consolidated financial statements	
	2007	2006
Land and condominium	39,481	44,520

As at 31 December 2006, the subsidiaries were in the process of releasing the mortgages on 24 vessels with net book values totaling Baht 4,713.7 million. During the year 2007, the process of releasing the mortgages of the vessels has been completed.

As at 31 December 2007, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 28.0 million (2006: Baht 31.1 million) in the consolidated financial statements and approximately Baht 6.0 million (2006: Baht 9.3 million) in the separate financial statements.

As at 31 December 2007, 10 subsidiaries (2006: 18 subsidiaries) have vessels at cost of approximately Baht 2,272.6 million (USD 83.6 million) (2006: Baht 4,073.3 million (USD 155.4 million)), with residual value of approximately Baht 805.0 million (USD 27.2 million) (2006: Baht 1,380.4 million (USD 49.8 million)). The vessels of the subsidiaries have been fully depreciated; 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 by the straight-line method for another period of five years on their net book value (after deducting new residual value) since the date first fully depreciated. Additional depreciation expenses for the year 2007 are Baht 116.2 million (2006: Baht 130.2 million).

#### 14. OTHER NON-CURRENT ASSETS

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2007	2006	2007	2006
Advances for vessel construction	14.1	3,239,190,687	-	3,239,190,687	-
Deferred financial fees	14.2	298,101,974	-	298,101,974	-
Others		4,024,453	1,429,706	3,396,159	662,711
Total		<u>3,541,317,114</u>	<u>1,429,706</u>	<u>3,540,688,820</u>	<u>662,711</u>

#### **14.1 Advances for vessel construction**

On 20 July and 14 September 2007, the Company entered into 15 contracts with a builder to construct 15 vessels (12 handysize vessels and 3 supramax vessels) classified as bulk carriers at an aggregate price of approximately USD 474 million (or approximately USD 30 million per handysize vessel and USD 38 million per supramax vessel). The contract price will be paid in 5 installments of 20 percent each, with each installment (except the fifth) paid only on the submission of a bank guarantee in favour of the Company, guaranteeing the refund of each installment (with interest at 7.5 percent 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 2010 to 2013. However, if the builder can deliver the vessels earlier, the Company has to pay an aggregate sum of incentive amount not exceeding USD 14.9 million to the builder for all the 15 vessels.

During the year 2007, the Company made partial payment of installments to the builder, amounting to USD 94.8 million (approximately Baht 3,239.2 million), recording such amounts under "Advances for vessel construction" in non-current assets in the balance sheet.

#### **14.2 Deferred financial fees**

During the year 2007, the Company paid front end fees to the lenders and advisory fees to advisors totaling Baht 298.1 million which has been recorded in the "Deferred financial fees" account in non-current assets in the balance sheet. The Company will be reimbursed such fees from its subsidiaries based on the portion of loan to be drawn down by subsidiaries.

### **15. ADVANCES RECEIVED FROM VESSEL SALES**

During the year 2006, the 8 local subsidiaries entered into Sale Agreements termed as Memorandum of Agreement with overseas companies to sell the subsidiaries' 8 second-hand vessels for a total of USD 43.9 million. The buyers paid deposits totaling USD 4.4 million (10 percent of the selling price of each of the vessels) and the remaining balances were to be paid on delivery of the vessels.

As at 31 December 2006, cash and cash equivalents included advances received amounting to USD 3.9 million which were deposited in nominated joint bank accounts of the buyers and sellers. Such advances received alongwith the balance of the sale price (90 percent of the selling price of each of the vessels) were subsequently transferred to the bank accounts of the subsidiaries at the beginning of 2007 as and when respective vessels were delivered to the buyers, in accordance with the respective Memorandum of Agreement.

## 16. OTHER CURRENT LIABILITIES

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
Accrued crew accounts		96,522,767	100,470,812	-	-
Accrued employee bonus	16.1	58,447,242	46,058,392	53,808,471	38,113,343
Accrued expenses		112,930,522	72,783,209	426,733	-
Provision for income tax		216,229,956	-	-	-
Withholding tax payable		38,021,854	47,038,249	36,461,519	45,317,384
Others		28,141,060	35,016,461	11,585,010	6,439,859
Total		<u>550,293,401</u>	<u>301,367,123</u>	<u>102,281,733</u>	<u>89,870,586</u>

### 16.1 Accrued employee bonus

As at 31 December 2007 and 2006, accrued employee bonus can be separated based on the year payment is to be made to employees, as follows:

(Unit: Baht)

Payable within year	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
2008	58,447,242	46,058,392	53,808,471	38,113,343
2009 - 2010	95,947,000	-	88,598,533	-
Total	<u>154,394,242</u>	<u>46,058,392</u>	<u>142,407,004</u>	<u>38,113,343</u>

## 17. LONG-TERM LOAN FACILITIES

17.1 On 22 August 2005 and 28 December 2006, the Company and local subsidiaries entered into a main secured revolving loan facility agreement and an amended and restated agreement, respectively with overseas banks to obtain credit facilities of USD 250 million carrying interest at the rate of LIBOR plus 1.00 to 1.40 percent per annum, the margin of which is based on the USD Restated Financial Statements of the Company and subsidiaries of each quarter. Details are as follows:

- A Revolving Acquisition Facility (RAF) is to be used for purchasing of vessels. Such facility was to be drawn down by 31 December 2007 and was automatically to be converted to a Revolving Reducing Credit Facility (RRCF) as at 31 December 2007, or earlier if mutually agreed between the borrowers and the lenders.
- The Revolving Reducing Credit Facility (RRCF) is to be repaid in 32 quarterly installments, per the proportions stipulated in the agreement, from March 2008 or three months after conversion of the RAF to RRCF if earlier.

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

The loan agreement includes certain covenants and restrictions pertaining to, among other things, non-payment of dividend in an event of default, the pledge/mortgage of assets, the provision of guarantees for liabilities, conditions on the disposal of certain vessels, and the maintenance of financial ratios such as:

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

As at 31 December 2007 and 2006, no draw down had been made from this facility. In addition, as at 31 December 2007, the Company and subsidiaries were in the process of negotiating with the lenders to extend the availability period up to 31 December 2008, which, has been accepted by the Lenders, but for a reduced loan amount of USD 200 million. The agreement for the extension of the availability period for the reduced amount is being documented as on the date of this report.

17.2 On 18 January, 21 May and 29 October 2007, the Company and local subsidiaries entered into a main agreement and amended and restated agreements, respectively with local commercial banks to obtain credit facilities, as detailed below.

a) A term loan of USD 300 million carrying interest at LIBOR plus 2.2 percent per annum. The loan is to be used to pay for purchases of vessels and is to be drawn down within 18 January 2009, and is to be repaid in quarterly installments over a period of 12 years (commencing after the completion of a grace period of one year from the date of first drawdown), in accordance with the proportionate amounts stipulated in the agreement.

b) A foreign currency exchange facility of USD 5 million.

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

The credit facility agreements contain covenants that, among other things, require the Company and subsidiaries to maintain certain financial ratios such as:

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

The covenants a), c) and d) above are applicable from 18 January 2007 whereas covenant b) is applicable from the first draw down date.

As at 31 December 2007, no draw down had been made from the facilities.

## **18. DEBENTURES OFFERING PLAN**

On 6 July 2007, the Extraordinary General Meeting of shareholders passed a resolution to approve the Company or a newly established subsidiary of the Company to issue debentures in an amount not exceeding USD 1,000 million or the equivalent in another currency to foreign investors, and to empower the Board of Directors to subsequently determine details of the debenture issue and offering such as the nature of the debentures, the value, the currency, the interest rate, the maturity, the redemption period, the selling method, the subscription period, the allocation method and others. As at 31 December 2007, the debentures have yet to be issued by either the Company or the subsidiary.

## 19. SHARE CAPITAL AND STOCK DIVIDEND

19.1 On 24 April 2007, the Annual General Meeting of shareholders passed the following resolutions.

- a) Approval to increase the registered share capital from Baht 520 million to Baht 1,040 million, through the issue of 520 million shares with a par value of Baht 1 each, to support the payment of a stock dividend. The Company registered the increase in its share capital with the Ministry of Commerce on 27 April 2007.
- b) Approval of the distribution of a stock dividend in respect of the 2006 income, with Baht 520 million to be transferred from retained earnings for allocation as a stock dividend with a par value of Baht 1 each to be distributed for every existing share held, totaling 520 million shares. As at the closing date of the share register, 519,520,600 of the Company's ordinary shares were qualified to receive stock dividend, after deduction of 479,400 shares disqualified to receive this stock dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (520,000,000 shares). The total stock dividend paid was thus Baht 519.5 million. In addition, the Company applied to the Stock Exchange of Thailand to register the additional 519,520,600 shares as listed securities and the approval was granted to the Company on 3 May 2007.

19.2 On 6 July 2007, the Extraordinary General Meeting of shareholders passed a resolution to approve the decrease of registered share capital from Baht 1,040,000,000 to Baht 1,039,520,600 by means of cancelling 479,400 authorised but unissued shares with a par value of Baht 1 each which the Company had not been able to allocate because it could not identify the eligible shareholders. The Company already registered the decrease in its capital with the Ministry of Commerce on 13 July 2007.

## 20. REVALUATION SURPLUS ON ASSETS OF SUBSIDIARY

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

(Unit: Thousand Baht)

	Consolidated financial statements/ Separate financial statements	
	2007	2006
Balance - beginning of year	144,279	144,279
Less: Amortisation	(20,313)	-
Balance - end of year	<u>123,966</u>	<u>144,279</u>

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

## 21. STATUTORY RESERVE

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

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

## 22. TREASURY STOCK RESERVE

Under the notification of the Office of the Securities and Exchange Commission No. Gor. Lor. Tor. Chor. Sor. (Wor.) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor. Wor. Bor. Chor. 016/2548 public companies buying back their own shares (treasury shares) must have retained earnings in an amount not less than the outstanding balance of the treasury shares, and if retained earnings are appropriated for dividend payment, the balance of retained earnings remaining after such payment must likewise be no less than the balance of the treasury shares. The Company proceeded in accordance with these guidelines and appropriated an amount of retained earnings to the treasury stock reserve equal to the amount paid to acquire the shares.

## 23. TREASURY STOCK

Details of treasury stock are as follows:

	Consolidated financial statements/ Separate financial statements	
	2007	2006
Value of treasury stock (Baht)	-	414,918,176
Number of treasury shares (Shares)	-	12,318,600
Average cost per share (Baht)	-	33.6823
The percentage of number of treasury shares to the share capital issued by the Company	-	2.37

The period for disposal of the repurchased shares is 10 April 2005 to 8 October 2007 (at least 6 months but not more than 3 years after the date the share repurchase scheme is completed). In the event, the Company does not or is unable to dispose of the repurchased shares within such period, the Company will reduce its capital by cancelling the remaining unsold shares.

During the year 2007, the Company disposed 12.3 million treasury shares (2006: 1.1 million treasury shares) with cost of Baht 414.9 million (2006: Baht 36.0 million) at total price of Baht 566.2 million (2006: Baht 57.1 million). The resale of the treasury shares was done on the Stock Market at prevailing market prices at the time of sale. The Company realised Baht 151.3 million (2006: Baht 21.1 million) as a gain on the aforesaid shares which has been presented as “Premium on treasury stock” in the shareholders’ equity, and reversed treasury stock reserve to unappropriated retained earnings.

## 24. OTHER INCOME

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Interest income	142,124,906	27,983,874	36,942,982	4,106,310
Exchange gains	-	122,837,200	-	-
Others	1,222,118	2,704,151	3,147,653	2,320,952
Total	<u>143,347,024</u>	<u>153,525,225</u>	<u>40,090,635</u>	<u>6,427,262</u>

## 25. OTHER EXPENSES

(Unit: Baht)

	Note	Consolidated		Separate	
		financial statements		financial statements	
		2007	2006	2007	2006
Bad debt and allowance for doubtful accounts		4,747,387	31,814,057	1,550	-
Losses on derivative contracts	25.1	241,969,452	-	-	-
Exchange losses		175,167,588	-	45,404,564	35,453,320
Total		<u>421,884,427</u>	<u>31,814,057</u>	<u>45,406,114</u>	<u>35,453,320</u>

### 25.1 Losses on derivative contracts

#### *Treasury Rate Lock Agreements*

A Treasury Lock is a type of financial instrument executed with a bank, for a forward sale of a U.S. Treasury note or bond which is settled for an amount based on the difference between an agreed Treasury rate (referred to as the lock rate) and the prevailing Treasury rates at the time of settlement. If, at the contract’s settlement date, the prevailing rate is higher than the agreed upon rate, the bank will pay an amount based upon the difference in the two rates. However, if the prevailing Treasury rate is lower than the lock rate, the bank will receive the difference. The Treasury Lock is generally used as a hedging tool by companies to “lock in” the Treasury rate which is expected to serve as the basis for the pricing of a public or private debt issue.

For the proposed issue of Debentures which was recently approved by the shareholders of the Company, with the intention of locking in the Treasury rate, which would have been the basis of pricing of the Debentures, 2 local subsidiaries entered into Treasury Lock Contracts with a branch of a foreign bank for an aggregate principal amount of USD 200 million. The contracts were for a period of not over 3 months, maturing on 25 October 2007 (maturity date) and guaranteed by the Company. As at the settlement date, the subsidiaries were required to pay an amount to the bank based on the lock rate stipulated in the contracts of 5.03 percent.

On different dates in October 2007 the subsidiaries gradually unwound the Treasury Lock Contracts, aggregating USD 200 million, prior to their maturity. Resulting loss on these derivative contracts, amounting to USD 7.1 million (approximately Baht 242.0 million), has been recorded under the caption of “Losses on derivative contracts” in the income statement.

## 26. EMPLOYEES AND RELATED COSTS

	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Number of employees at end of year (persons)	1,281	1,523	95	79
Employee costs for the year (Thousand Baht)	1,369,468	1,447,047	361,422	217,952

The above employees include crew on board the Company’s ships who are employed on fixed period contracts on periods ranging from six to nine months.

## 27. CORPORATE INCOME TAX

No corporate income tax was payable for the years 2007 and 2006, since the Company had tax losses brought forward from previous years.

In accordance with the Director - General’s Notification on Income Tax No. 72 dated 1 January 1998, the subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520.

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

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

## 28. PROMOTIONAL PRIVILEGES

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

Under the provisions of the Investment Promotion Act B.E. 2520, the subsidiaries were granted certain promotional privileges for their marine transportation. The promotional privileges include, among other things, exemption from the payment of income tax for a period of 8 years commencing as from the date of first earning operating income on the condition that the vessels owned by the subsidiaries are registered in Thailand. As at 31 December 2007, the 34 subsidiaries have registered their 43 vessels under the Thai flag (2006: 34 subsidiaries have registered their 53 vessels under the Thai flag).

Revenues and expenses for 2007 and 2006 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.

(Unit: Thousand Baht)

	Promoted operations		Non-promoted operations				Total	
	2007	2006	Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72		Operations not eligible for corporate income tax exemption		2007	2006
			2007	2006	2007	2006		
Revenues	4,318,407	4,699,178	2,912,534	4,411,913	6,542,008	3,471,072	13,772,949	12,582,163
Costs and expenses	(2,557,028)	(2,994,579)	(1,256,902)	(2,211,447)	(1,282,392)	(1,169,284)	(5,096,322)	(6,375,310)
Net income	1,761,379	1,704,599	1,655,632	2,200,466	5,259,616	2,301,788	8,676,627	6,206,853

## **29. BASIC EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year net of treasury stock held by the Company and adjusting the number of ordinary shares in proportion to the change in the number of shares as a result of the distribution of stock dividend, as discussed in Note 19. The number of ordinary shares of the prior period has been adjusted as if the stock dividend had been distributed at the beginning of the earliest period reported.

## **30. SEGMENT INFORMATION**

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

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

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

(Unit: Thousand Baht)

Consolidated financial statements										
	Time charter		Voyage charter		Total		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Hire income	6,969,502	6,893,813	-	-	6,969,502	6,893,813	-	-	6,969,502	6,893,813
Freight income	-	-	372,933	2,906,226	372,933	2,906,226	(54,066)	(743,736)	318,867	2,162,490
Total vessel operating income	6,969,502	6,893,813	372,933	2,906,226	7,342,435	9,800,039	(54,066)	(743,736)	7,288,369	9,056,303
Voyage disbursements	-	-	(108,093)	(1,083,952)	(108,093)	(1,083,952)	54,066	743,736	(54,027)	(340,216)
Bunker consumption	-	-	(60,213)	(489,689)	(60,213)	(489,689)	-	-	(60,213)	(489,689)
Total voyage expenses	-	-	(168,306)	(1,573,641)	(168,306)	(1,573,641)	54,066	743,736	(114,240)	(829,905)
Net vessel operating income/time charter equivalent income	6,969,502	6,893,813	204,627	1,332,585	7,174,129	8,226,398	-	-	7,174,129	8,226,398

### 31. PROVIDENT FUND

The Company and subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company/the subsidiaries contributed to the fund monthly at the rate of 5 percent of basic salary. The fund, which is managed by Bangkok Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2007, the Company and subsidiaries contributed Baht 2.1 million (2006: Baht 1.4 million) to the provident fund (Separate financial statements: Baht 1.8 million, 2006: Baht 0.9 million).

### 32. CASH DIVIDENDS

Dividends declared in the year 2007 consist of the following:

	Approved by	Total dividends	Dividend per share
		(Million Baht)	(Baht)
a) Interim dividends on operating results for the nine-month period ended 30 September 2007	Board of Directors' meeting on 15 November 2007	<u>519.7</u>	<u>0.50</u>

As at the closing date of the share register, 1,039,307,700 of the Company's ordinary shares were qualified to receive dividend, after deduction of 212,900 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 519.7million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
b) Interim dividends on operating results for the six-month period ended 30 June 2007	Board of Directors' meeting on 8 August 2007	<u>519.7</u>	<u>0.50</u>

As at the closing date of the share register, 1,039,369,600 of the Company's ordinary shares were qualified to receive dividend, after deduction of 151,000 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 519.7 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
c) Interim dividends on operating results for the three-month period ended 31 March 2007	Board of Directors' meeting on 7 May 2007	<u>519.5</u>	<u>0.50</u>

As at the closing date of the share register, 1,039,040,700 of the Company's ordinary shares were qualified to receive dividend, after deduction of 479,900 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (1,039,520,600 shares). The total dividend paid was thus Baht 519.5 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
d) Final dividends of 2006 income	Annual General Meeting of the shareholders on 24 April 2007	<u>1,096.2</u>	<u>2.11</u>

As at the closing date of the share register, 519,520,600 of the Company's ordinary shares were qualified to receive dividend, after deduction of 479,400 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (520,000,000 shares). The total dividend paid was thus Baht 1,096.2 million.

Dividends declared in the year 2006 consist of the following:

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
e) Interim dividends on retained earnings as of 30 September 2006	Board of Directors' meeting on 21 November 2006	<u>505.4</u>	<u>1.00</u>

As at the closing date of the share register 505,410,012 of the Company's ordinary shares were qualified to receive dividend, after deduction of 13,386,300 shares held by the Company as treasury stock and 1,203,688 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (520,000,000 shares). The total dividend paid was thus Baht 505.4 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
f) Interim dividends on operating results for the six-month period ended 30 June 2006	Board of Directors' meeting on 28 August 2006	<u>506.1</u>	<u>1.00</u>

As at the closing date of the share register, 506,132,700 of the Company's ordinary shares were qualified to receive dividend, after deduction of 13,386,300 shares held by the Company as treasury stock and 481,000 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (520,000,000 shares). The total dividend paid was thus Baht 506.1 million.

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
		(Million Baht)	(Baht)
g) Final dividends of 2005	Annual General Meeting of the shareholders on 20 April 2006	<u>784.5</u>	<u>1.55</u>

As at the closing date of the share register, 506,131,700 of the Company's ordinary shares were qualified to receive dividend, after deduction of 13,386,300 shares held by the Company as treasury stock and 482,000 shares disqualified to receive this dividend by the registrar (Thailand Securities Depository Co., Ltd.) from the total number of shares outstanding (520,000,000 shares). The total dividend paid was thus Baht 784.5 million.

### 33. COMMITMENTS

#### 33.1 Vessel building contracts commitments

As at 31 December 2007, the Company's future minimum payment commitments under vessel building contracts amount to USD 379.2 million (approximately Baht 12,849.2 million).

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

As at 31 December 2007, the Company and its subsidiaries had obligations in respect of the charges for management of the undrawn portion of loan facilities, which can be summarised as follows:

Facility	Percentage of obligation	Maximum facility amount per contract (million USD)	Undrawn loan balance as at 31 December 2007 (million USD)	Term of payment	Drawdown period ending
Facility 1	30 percent of the applicable margin per annum on the difference between the facility outstanding and the applicable maximum facility amount	200	200	Every three month starting from 22 August 2005 until the end of the drawdown period	31 December 2008
Facility 2	0.375 percent per annum of undrawn loan balance	300	300	Quarterly starting from 18 January 2007 until the end of the drawdown period	18 January 2009

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

As at 31 December 2007, the Company has a commitment of Baht 10.1 million in respect of the uncalled portion of other long-term investment (2006: Baht 10.1 million).

## **34. FINANCIAL INSTRUMENTS**

### **34.1 Financial risk management**

The Company and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments and trade accounts payable. The financial risks associated with these financial instruments and how they are managed is described below.

#### ***Credit risk***

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

#### ***Interest rate risk***

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

Significant financial assets and liabilities as at 31 December 2007 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

(Unit: Thousand Baht)

	Fixed	Floating	Non-interest	Total	Interest rate	
	interest rate				Interest rate	(% p.a.)
	within 1 year	interest rate	bearing		Fixed	Floating
					USD	USD
					currency	currency
<b>Financial assets</b>						
Cash and cash equivalents	949,672	489,633	30,939	1,470,244	4.59	3.22
Trade accounts receivable	-	-	34,639	34,639	-	-
Total	949,672	489,633	65,578	1,504,883		
<b>Financial liability</b>						
Trade accounts payable	-	-	66,544	66,544	-	-
Total	-	-	66,544	66,544		

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

Almost all revenues and expenditures of the Company and subsidiaries are denominated in U.S. dollars, which provide 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 financial instruments denominated in other currencies. However, the Company and subsidiaries' management has decided to maintain an open position with regard to this exposure, but endeavors to limit this exposure to least possible amounts by not holding significant financial instruments denominated in other currencies.

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

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

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

### **35. SUBSEQUENT EVENT**

- a) As at 22 January 2008, a local subsidiary (Great Circle Shipping Agency Limited) issued new ordinary shares, which the Company purchased in proportion to its shareholding at that date, at par value, or a total of Baht 45 million.

- b) On 11 February 2008, the Company entered into a contract with a shipbuilder to construct 3 supramax bulk carriers, at an aggregate price of approximately USD 114 million (or approximately USD 38 million per vessel). The contract price is to be paid in 5 installments of 20 percent each and the vessels are expected to be delivered in the year 2012.
- c) On 12 February 2008, a meeting of the Company's Board of Directors passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2008 to adopt a resolution to pay a dividend of Baht 0.75 per share, or a total of Baht 779.6 million, to the shareholders in respect of the 2007 income.

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

### **36. RECLASSIFICATION**

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholder's equity, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

### **37. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorised for issue by the Company's Board of Directors on 12 February 2008.