



Precious Shipping Public Company Limited

Annual Report  
**2012**





## MISSION STATEMENT

**“To be the most respected Shipping Company  
in the world, providing best services and  
solutions to facilitate International dry-bulk trade.”**



## CORE VALUES

- ➡ We will manage all our business affairs in accordance with the highest principles of Good Governance. As a part of Good Governance, we have outlined our Corporate Governance Policy which will be strictly followed without any compromise.
- ➡ We will provide efficient, reliable and professional service to all our customers.
- ➡ We will comply with all rules and regulations and follow the highest safety standards in operating our ships with a view to eliminating or at least minimising human injury, loss of life and environmental damage.
- ➡ We will strive to create, preserve and enhance long term value for our shareholders.
- ➡ We will carry out the Company's affairs in a transparent, honest and faithful manner in the best interests of all stakeholders.
- ➡ We will provide a stimulating and rewarding working environment for all our employees with opportunities for self-development and growth.





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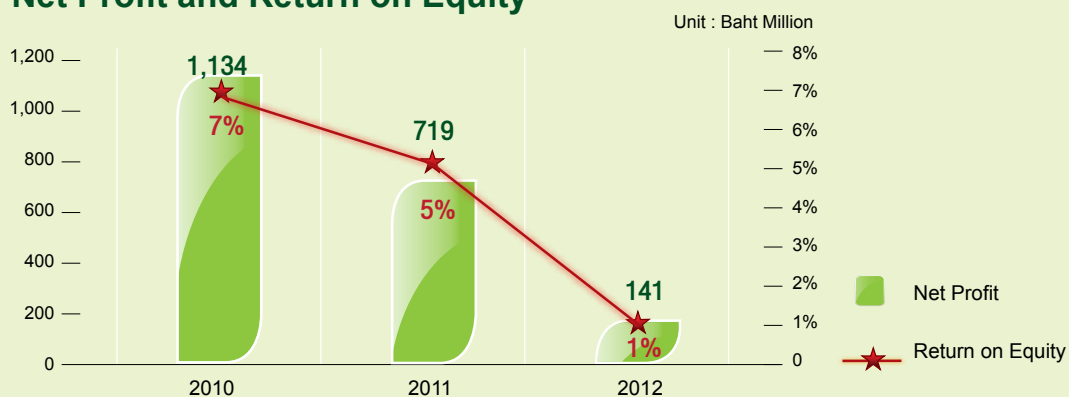
# FINANCIAL HIGHLIGHTS

Unit : Baht Million

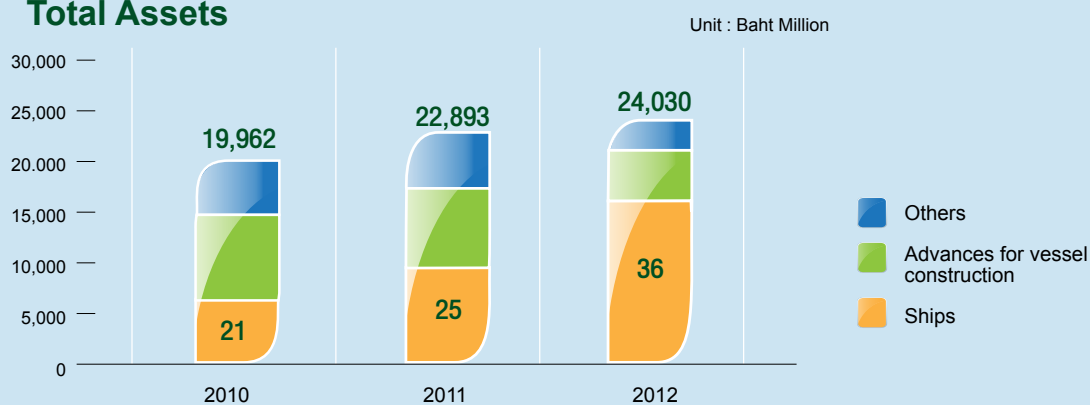
Details	2012	2011	2010 Restated
Vessel Operating Income	3,487.54	3,078.92	2,928.29
Vessel Operating Costs	2,045.64	1,333.29	873.29
Gross Profit	1,441.90	1,745.63	2,055.00
<b>Total Revenues</b>	<b>3,828.02</b>	<b>3,433.51</b>	<b>3,403.36</b>
Total Expenses (excluding depreciation)	2,770.11	2,072.43	1,527.47
Depreciation	910.30	646.56	678.21
Share of profit (loss) from investment in associate held by a subsidiary	(2.43)	7.64	18.66
Profit before Corporate Income Tax	145.18	722.16	1,216.34
Corporate Income Tax	4.15	3.64	82.61
<b>Net Profit</b>	<b>141.03</b>	<b>718.52</b>	<b>1,133.73</b>
Total Current Assets	2,941.45	6,021.55	4,348.30
Property, plant and equipment	16,212.57	9,445.53	6,400.33
Total Assets	24,029.69	22,893.25	19,961.89
Total Current Liabilities	1,119.44	1,047.24	440.10
Long-Term Loans - net of current portion	8,265.02	6,307.83	4,766.30
Total Liabilities	9,545.46	7,536.75	5,349.92
Paid-up Capital	1,039.52	1,039.52	1,039.52
Total Shareholders' Equity	14,484.23	15,356.50	14,611.97
Cash flow from Operating activities	751.18	1,050.60	1,179.69
Cash flow from (used in) Investing activities	(4,537.03)	(2,274.38)	(1,763.14)
Cash flow from (used in) Financing activities	1,430.18	1,150.56	(514.87)
Book Value per share (Baht)	13.93	14.77	14.06
Earnings per share (Baht)	0.14	0.69	1.09
Dividend declared for the year per share (Baht)	0.40	0.55	0.87
Cash Dividend paid out per share (Baht)	0.45	0.62	1.25
Gross Profit Margin (%)	41.34	56.70	70.18
Net Profit Margin (%)	3.68	20.93	33.31
Return on Equity (%)	0.95	4.80	7.33
Return on Total Assets (%)	0.60	3.35	5.48
Total Liabilities/Equity Ratio	0.66	0.49	0.37
Number of Ships (As at end of the Year)	36	25	21

Note: With the adoption of IFRS in year 2011, the Company has restated the financial statements for year 2010 to make it comparable to years 2011-2012. Therefore the Company has given financial highlights only for 2010-2012 as restated and comparable financial statements for years prior to 2010 are not available.

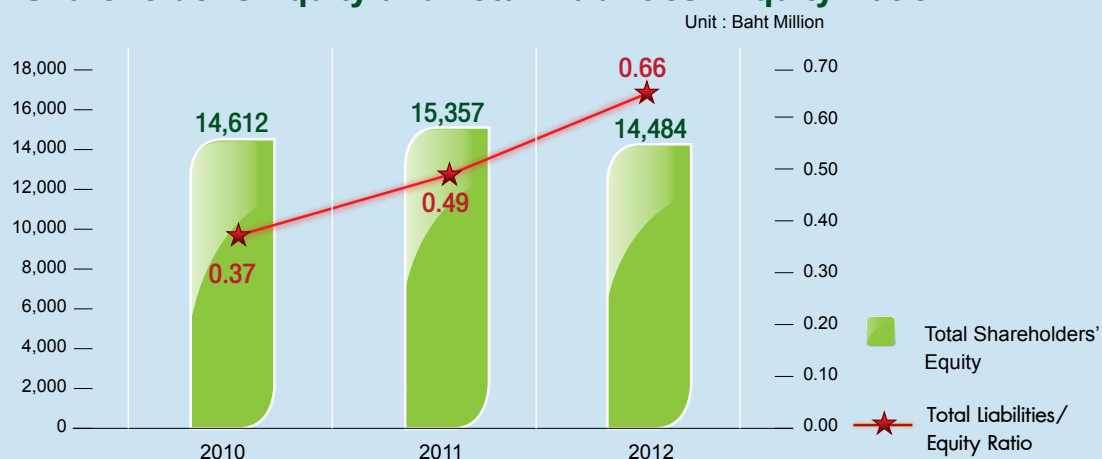
## Net Profit and Return on Equity



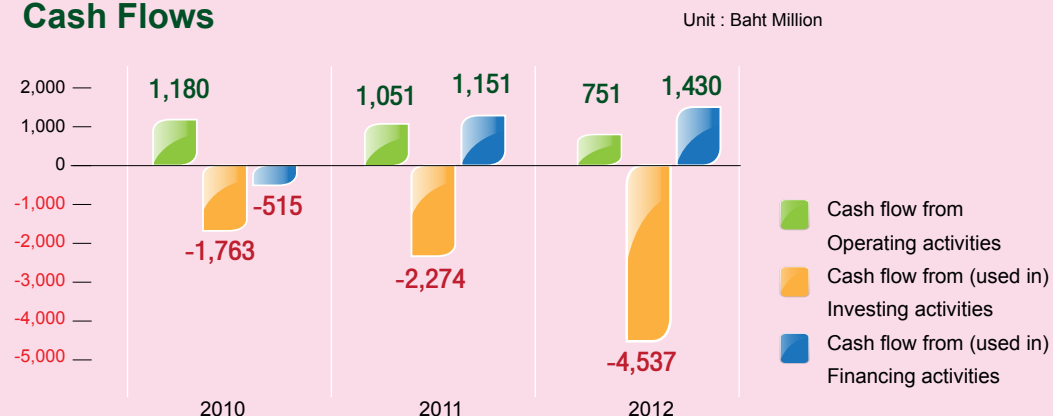
## Total Assets



## Shareholder's Equity and Total Liabilities / Equity Ratio

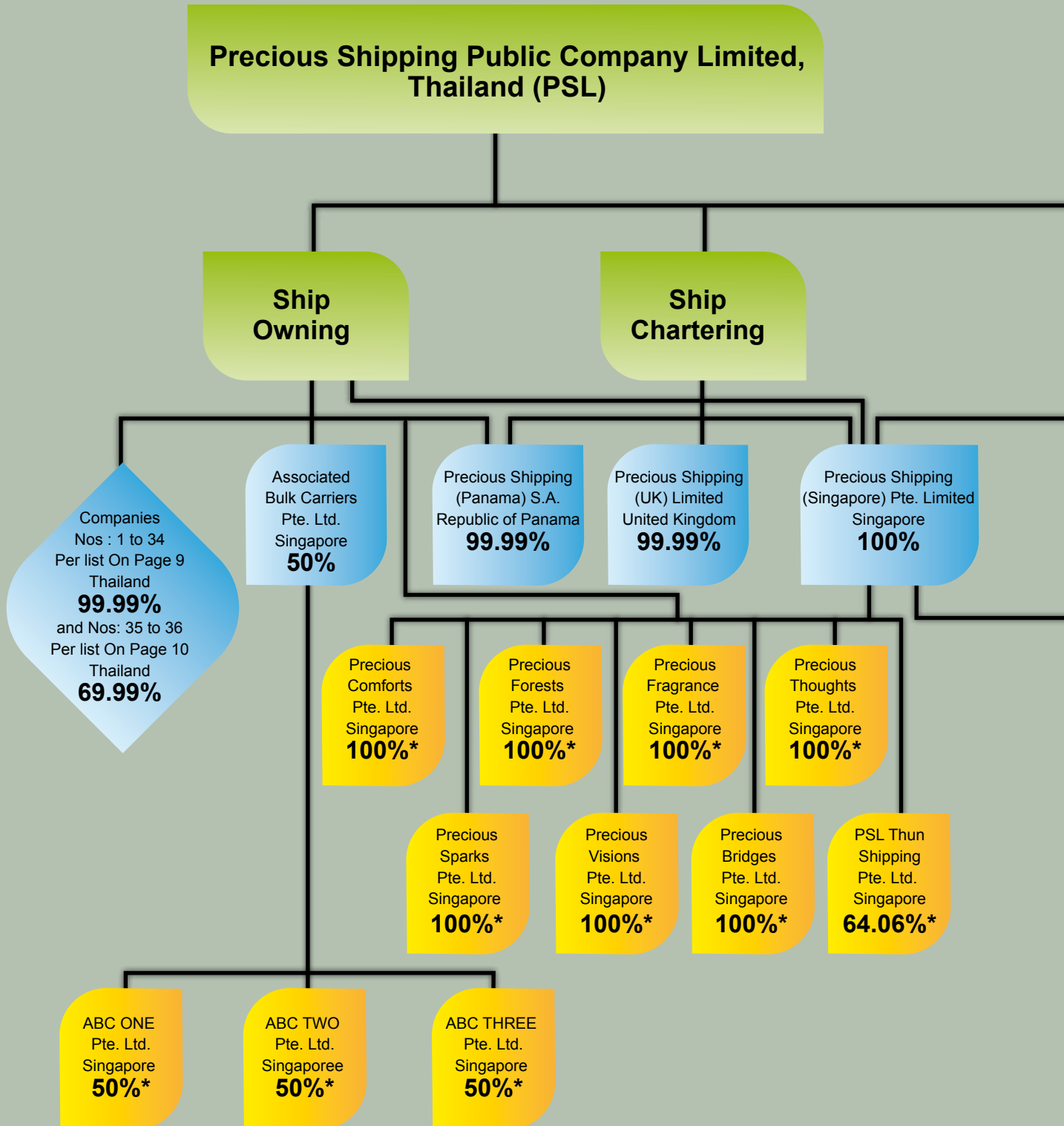


## Cash Flows

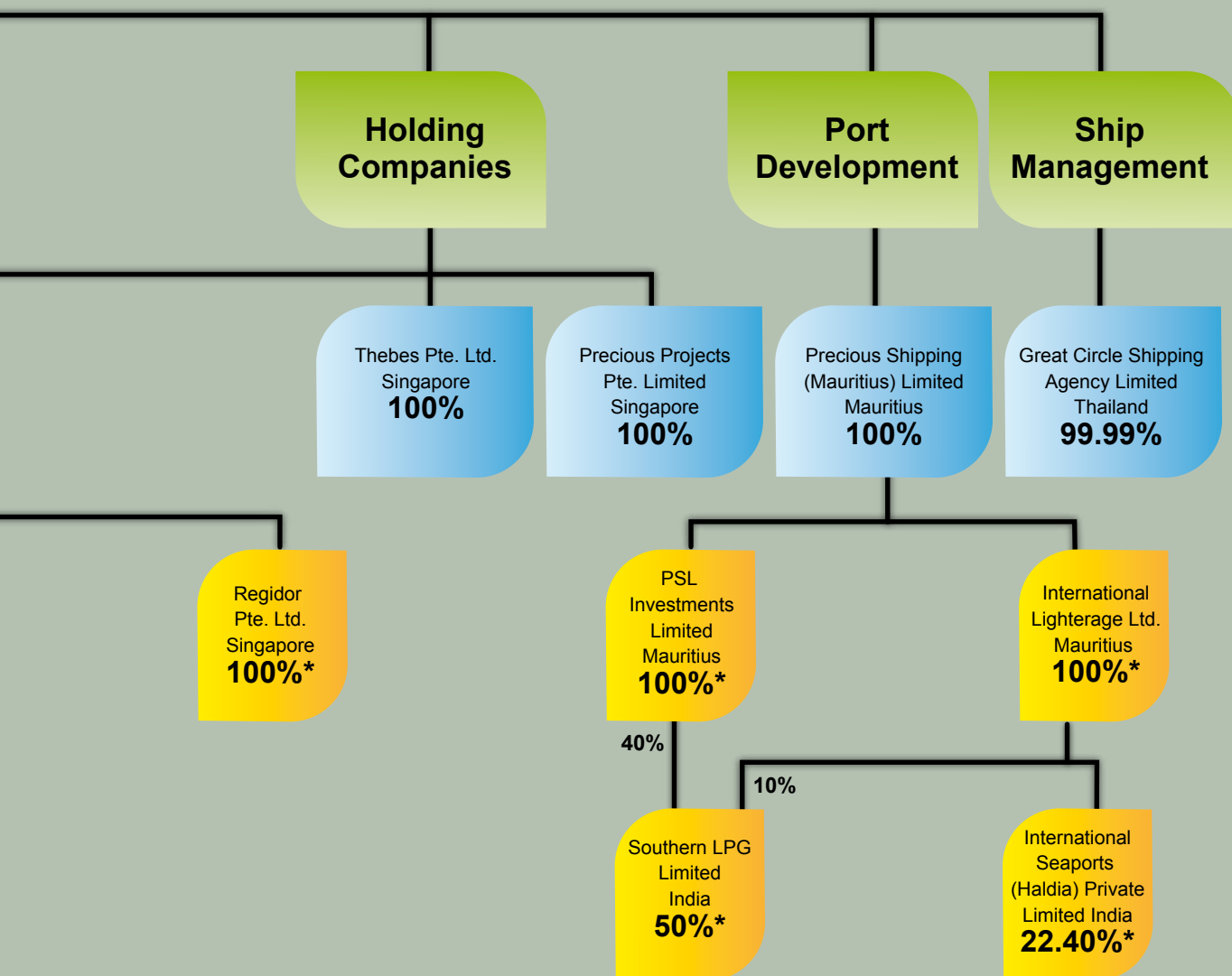




# CORPORATE STRUCTURE



\* Represents indirect ownership of PSL



### Legend

Name of Company.  
Country of Incorporation.  
Percentage of Ownership.

## OTHER INFORMATION PURSUANT TO SEC. 114 OF PUBLIC LIMITED COMPANIES ACT B.E. 2535

### DETAILS OF THE COMPANY PRECIOUS SHIPPING PUBLIC COMPANY LIMITED

<b>Business</b>	Shipowner and Holding Company
<b>Registration No.</b>	0107537000629
<b>Authorized share capital</b>	Baht 1,039,520,600 (1,039,520,600 shares of Baht 1 each)
<b>Issued and fully paid-up share capital</b>	Baht 1,039,520,600 (1,039,520,600 shares of Baht 1 each)
<b>Location</b>	7 <sup>th</sup> Floor, Cathay House, 8 North Sathorn Road, Silom, Bangrak, Bangkok 10500
<b>Telephone</b>	66-2 696-8800
<b>Fax</b>	66-2 236-7654
<b>E-mail</b>	ir@preciousshipping.com
<b>Home page</b>	<a href="http://www.preciousshipping.com">http://www.preciousshipping.com</a>



## NAME AND CATEGORY OF SUBSIDIARIES AND ASSOCIATED COMPANIES IN WHICH THE COMPANY HOLDS MORE THAN 10% OF SHARES SOLD BY THEM

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
1	Precious Metals Limited	Baht	275,000,000	275,000,000	99.99	Shipowner
2	Precious Wishes Limited	Baht	230,000,000	230,000,000	99.99	Shipowner
3	Precious Stones Shipping Limited	Baht	260,000,000	260,000,000	99.99	Shipowner
4	Precious Minerals Limited	Baht	230,000,000	230,000,000	99.99	Shipowner
5	Precious Lands Limited	Baht	306,000,000	306,000,000	99.99	Shipowner
6	Precious Rivers Limited	Baht	234,000,000	234,000,000	99.99	Shipowner
7	Precious Lakes Limited	Baht	184,000,000	184,000,000	99.99	Shipowner
8	Precious Seas Limited	Baht	100,000,000	100,000,000	99.99	Shipowner
9	Precious Stars Limited	Baht	105,000,000	105,000,000	99.99	Shipowner
10	Precious Oceans Limited	Baht	175,000,000	175,000,000	99.99	Shipowner
11	Precious Planets Limited	Baht	270,000,000	270,000,000	99.99	Shipowner
12	Precious Diamonds Limited	Baht	205,000,000	205,000,000	99.99	Shipowner
13	Precious Sapphires Limited	Baht	144,000,000	144,000,000	99.99	Shipowner
14	Precious Emeralds Limited	Baht	366,000,000	366,000,000	99.99	Shipowner
15	Precious Rubies Limited	Baht	84,000,000	84,000,000	99.99	Shipowner
16	Precious Opals Limited	Baht	74,000,000	74,000,000	99.99	Shipowner
17	Precious Garnets Limited	Baht	379,000,000	379,000,000	99.99	Shipowner
18	Precious Pearls Limited	Baht	173,000,000	173,000,000	99.99	Shipowner
19	Precious Flowers Limited	Baht	336,000,000	336,000,000	99.99	Shipowner
20	Precious Forests Limited	Baht	96,000,000	96,000,000	99.99	Shipowner
21	Precious Trees Limited	Baht	202,000,000	202,000,000	99.99	Shipowner
22	Precious Ponds Limited	Baht	84,000,000	84,000,000	99.99	Shipowner
23	Precious Ventures Limited	Baht	202,000,000	202,000,000	99.99	Shipowner
24	Precious Capitals Limited	Baht	200,000,000	200,000,000	99.99	Shipowner
25	Precious Jasmines Limited	Baht	147,000,000	147,000,000	99.99	Shipowner
26	Precious Orchids Limited	Baht	217,000,000	217,000,000	99.99	Shipowner
27	Precious Lagoons Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
28	Precious Cliffs Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
29	Precious Hills Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
30	Precious Mountains Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
31	Precious Resorts Limited	Baht	140,000,000	140,000,000	99.99	Shipowner
32	Precious Comets Limited	Baht	71,100,000	71,100,000	99.99	Shipowner
33	Precious Ornaments Limited	Baht	68,100,000	68,100,000	99.99	Shipowner
34	Precious Cities Limited	Baht	170,000,000	170,000,000	99.99	Shipowner

Sr No.	Name of Subsidiaries and Associated Companies	Currency	Registered Capital	Issued and paid-up Share Capital	Percentage of Shareholding	Category of business
35	Precious Storage Terminals Limited	Baht	6,000,000	6,000,000	69.99	Bulk Storage Barges
36	Nedtex Limited	Baht	10,000,000	2,500,000	69.99	Bulk Storage Barges
37	Great Circle Shipping Agency Limited	Baht	210,000,000	210,000,000	99.99	Technical Manager of ships
38	Precious Shipping (Mauritius) Limited	USD	10,000	10,000	100	Holding company
39	PSL Investments Limited	USD	10,000	1,160	100*	Holding company
40	International Ligherage Ltd.	USD	10,000	10,000	100*	Holding company
41	Precious Shipping (Singapore) Pte. Limited	SGD	20,000,000	15,000,000	100	Holding company /Chartering
42	PSL Thun Shipping Pte. Ltd.	USD	500,000	12,864	64.06*	Chartering
43	Regidor Pte. Ltd.	SGD	100,000	2	100*	Maritime Business
44	Precious Comforts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
45	Precious Sparks Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
46	Precious Visions Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
47	Precious Bridges Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
48	Precious Forests Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
49	Precious Fragrance Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
50	Precious Thoughts Pte. Ltd.	SGD	50,000	50,000	100*	Shipowner
51	Precious Projects Pte. Limited	USD	1	1	100	Investment Holding company
52	Thebes Pte. Ltd.	SGD	100,000	2	100	Maritime Business
53	Associated Bulk Carriers Pte. Ltd.	USD	2	2	50	Holding company
54	ABC ONE Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
55	ABC TWO Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
56	ABC THREE Pte. Ltd.	USD	40,000	40,000	50*	Shipowner
57	Precious Shipping (Panama) S.A.	USD	10,000	10,000	99.99	Shipowner /Chartering
58	Precious Shipping (UK) Limited	USD	10,000	10,000	99.99	Chartering
59	Southern LPG Limited	Indian Rs	100,000,000	64,592,200	50*	Terminal owning, bottling and distribution of LPG
60	International Seaports (Haldia) Private Limited	Indian Rs	445,000,000	440,580,200	22.40*	Berth construction and development

\* (represents indirect ownership of shares)

**REGISTERED OFFICE ADDRESS OF SUBSIDIARY AND ASSOCIATED COMPANIES ARE AS FOLLOWS:**

<b>SUBSIDIARY 1-36</b>	Registered Office is at 8/27-28, 7 <sup>th</sup> Floor, Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8800 Fax : 66-2 236-7654, 633-8460
<b>SUBSIDIARY 37</b>	Registered Office is at 8/35 Cathay House, North Sathorn Road, Silom, Bangrak, Bangkok 10500 Thailand. Tel : 66-2 696-8900 Fax : 66-2 237-7842, 633-8468
<b>SUBSIDIARY 38-40</b>	Registered Office is at c/o Abax Corporate Services 6 <sup>th</sup> Floor, Tower A, Cybercity, Ebene, Mauritius.
<b>SUBSIDIARY 41-47</b>	Registered Office is 72A Peck Seah Street 079329, Republic of Singapore.
<b>SUBSIDIARY 48-56</b>	Registered Office is at 24 Raffles Place #18-00 Clifford Centre, 048621 Republic of Singapore.
<b>SUBSIDIARY 57</b>	Registered Office is at c/o ADR Building, 13 <sup>th</sup> Floor, Samuel Lewis Avenue, Republic of Panama.
<b>SUBSIDIARY 58</b>	Registered Office is at The Quadrangle - 2 <sup>nd</sup> Floor, 180 Wardour Street, London W1F 8FY United Kingdom.
<b>SUBSIDIARY 59</b>	Registered Office is at ICM Business Centre, Ceebros Arcade 1 <sup>st</sup> Floor, No.1, 3 <sup>rd</sup> Cross Street, Kasturibai Nagar, Adyar, Chennai 600 020 India.
<b>ASSOCIATE 60</b>	Registered Office is at 41, Jawahar Lal Nehru Road, Kanak Building, 3 <sup>rd</sup> Floor, Kolkata - 700 071, India.



# NATURE OF BUSINESS AND INDUSTRY

## 1. NATURE OF BUSINESS

### 1.1 Background

Precious Shipping Public Company Limited (“PSL”), established in 1989 and listed on the Stock Exchange of Thailand in 1993, owns and operates dry bulk ships, on a tramp shipping basis. The corporate structure of PSL, similar to other shipping companies, has separate subsidiaries owning each vessel (sometimes 2 or 3 vessels) to limit liability.

PSL presently (as on 31<sup>st</sup> December 2012) operates 35 bulkers and a cement carrier (the “Fleet”), representing 1,156,109 DWT. Of the entire Fleet, 29 ships are registered under the Thai flag, 6 ships under Singapore flag and 1 (the cement carrier) under Bahamas flag. 6 ships are in the Supramax sector and the balance 30 ships are in the small handy size sector of the dry bulk market.

PSL is one of the largest pure dry cargo ship-owning companies operating in the small handy size (10,000 to 30,000 DWT) sector of the tramp freight market. This segment is extremely fragmented and characterized by companies owning 2 or 3 ships. PSL’s Fleet makes it one of the largest, if not the single largest company in the world, operating in this segment. The Company has also entered into the Supramax sector by ordering 6 Ships in years 2007-08 out of which 4 are novated and remaining 2 ships scheduled for delivery in 2013-14. During 2010, the Company expanded further in the Supramax sector by taking over 4 new shipbuilding contracts for 4 Supramax ships which were delivered in 2012. The company expanded into this sector further in year 2011 by acquiring 2 more Ships during the last quarter of 2011. At the end of year 2012, the Company also signed agreements to buy two more Supramax Ships which are scheduled for the delivery in the first Quarter of 2013. PSL’s Fleet is technically managed by Great Circle Shipping Agency Ltd, Bangkok, a wholly owned subsidiary of PSL that is ISO 9001 and ISO 14001 certified which makes us one of the very few Dry Bulk Ship Management Companies which are compliant with an Environment Management System certification.

PSL operates its Fleet on a tramp-shipping basis covering the entire world. Principal cargoes handled by PSL are agricultural products, steels, fertilizers, ores and concentrates, logs, coke and other items. PSL estimates its business to be divided evenly across five regions: USA/Canada, Europe, Latin America-Africa, Indian sub-continent - Middle East, and South East & Far East Asia. PSL operates its ships in ports that have restricted draft and limited infrastructure (PSL ships have equipment for loading/unloading) where larger ships cannot operate. This distinction is a comparative advantage and allows PSL to enjoy stable charter rates compared to larger vessel operators. This advantage also assists the Company’s ships do business in developed countries as the cost of shore labour in such countries is prohibitive and the ship’s staff, with the ship’s gears, can easily discharge and/or load cargoes in such countries at a very economical cost and are preferred over larger gearless ships despite the latter’s proven economy of scale.

#### **The Chartering of ships is mainly undertaken by PSL vide the following two options:**

**Time Charter:** Under this Charter, the Charterer pays Charter Hire to PSL to operate the vessel for an agreed time period. The Charterer bears all voyage costs including the cost of bunker fuels. It may be noted in this case that PSL (or the Shipowning Company) is not the Lessor of the Ship but is a service-provider since PSL retains full control with physical and legal possession of the Ship.

**Voyage Charter:** Under this Charter, the Charterer pays freight to PSL to transport a particular cargo between two or more designated ports. In this case, PSL bears all the voyage costs including the cost of bunker fuels.

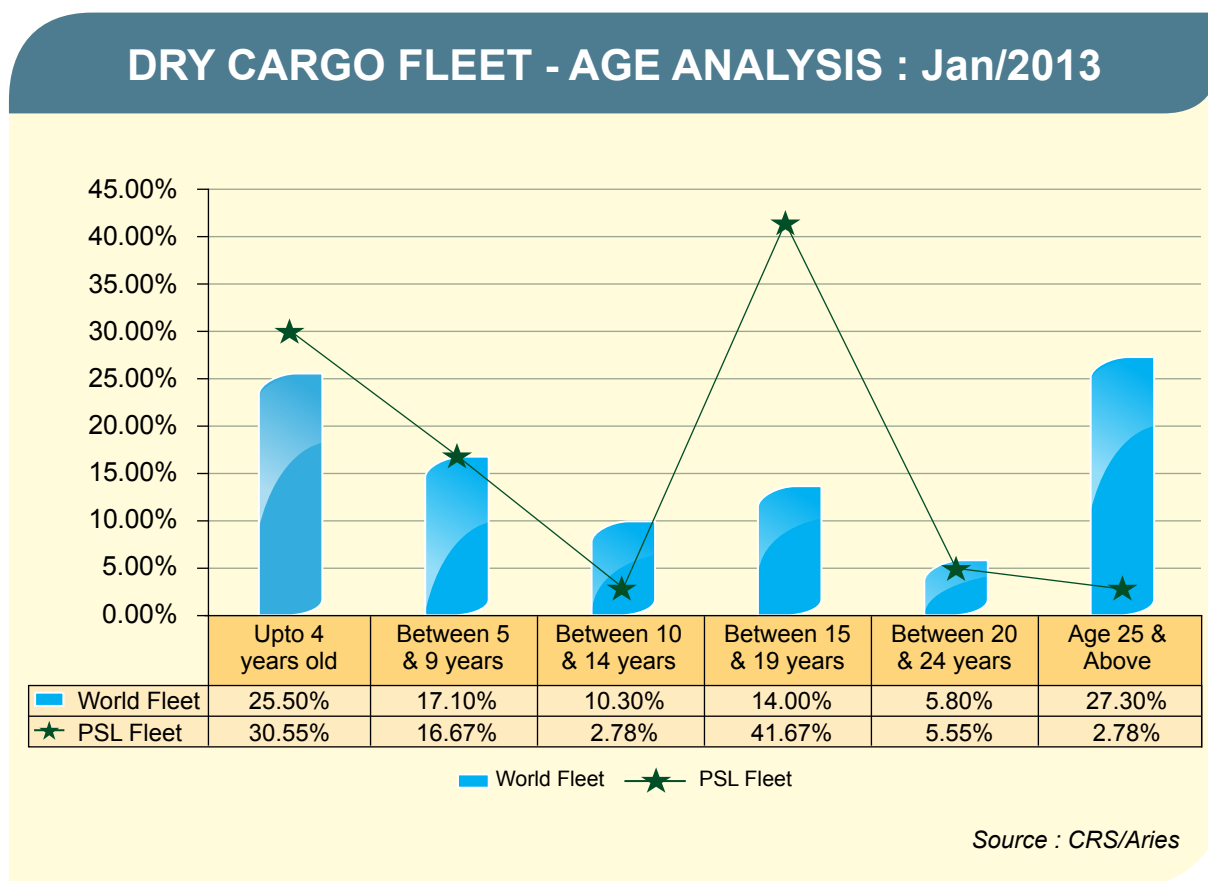
PSL's Fleet does not follow set voyage routes, but each ship keeps moving across the globe depending on its charters. The Fleet is hired on both, time charters as well as voyage charters, with typical duration of 1-3 months. The mix between the two types of business has historically been equal, until the year 2004 when this changed to an extent that almost all the ships were on time charters. In each of the years 2005-2006, the proportion of voyage charters increased marginally as compared to the year 2004. However during 2007-10 the equation changed again and about 99% of the journeys were time charters and only about 1% were voyage charters except during year 2009 where the proportion of voyage charters was marginally higher at 6% compared to about 1% in the years 2007, 2008 and 2010. However during 2011-12, the Proportion of Voyage/Time Charters changed with an increase in percentage of Voyage Charters to 14% in 2011 and 17% in 2012 from 0.5% in 2010.

The well spread diversification and nature of its operations (dry bulk shipping in the small handy size sector carrying 'essential' basic commodities) enables PSL to minimise the impact of concentration risks in terms of regions or commodities covered, and economic cycles.

## 1.2 Fleet Age

PSL's fleet as compared to the world average is younger, with present average age of about 11 years.

An age wise analysis as on 1<sup>st</sup> January 2013 of PSL's fleet vis-a-vis the World Fleet is given in the following graph



### 1.3 Business Operations

PSL's revenues are well diversified in terms of its business mix as can be seen from the following tables:

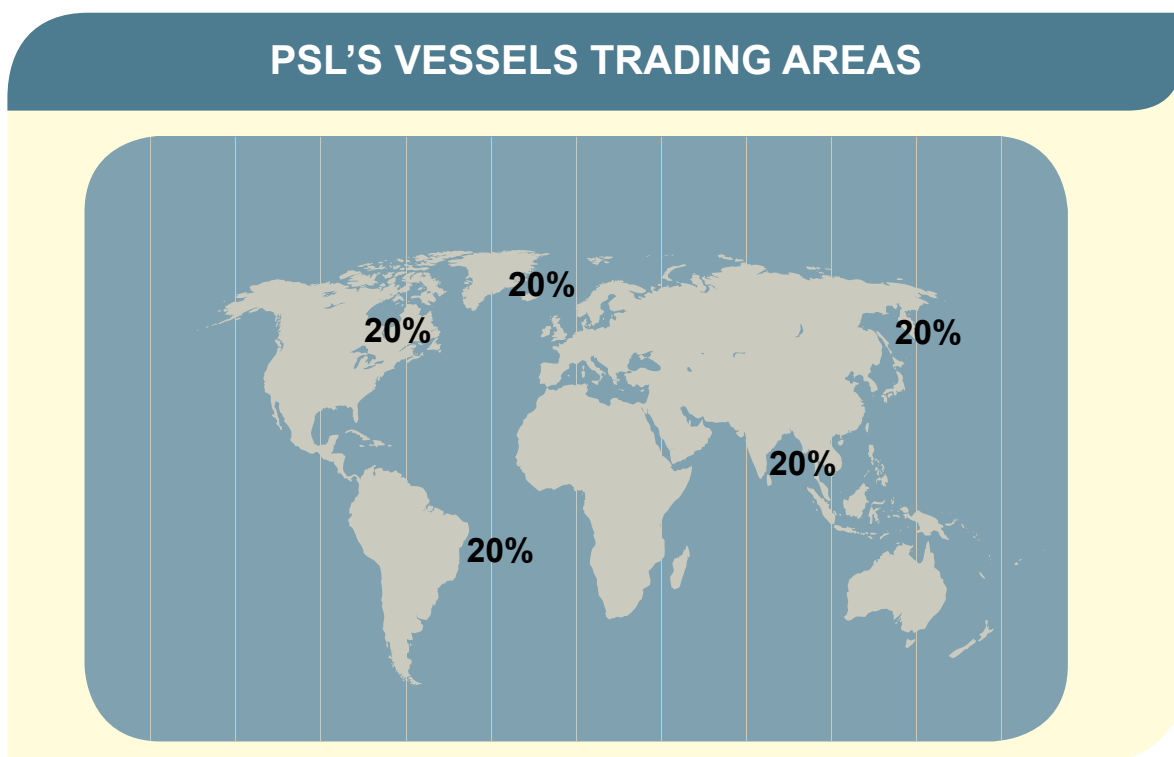
#### i. Commodities/Cargoes Carried

Commodity	(Number of Voyages and % of Total Voyages)		
	2010	2011	2012
Agricultural Commodities	50 (22.42%)	51 (24.76%)	74 (27.51%)
Steel	27 (12.11%)	28 (13.59%)	31 (11.52%)
Fertilisers	32 (14.35%)	29 (14.08%)	39 (14.50%)
Specialised Ores	33 (14.80%)	33 (16.02%)	30 (11.15%)
Forest Products/Logs	16 (7.17%)	15 (7.28%)	25 (9.29%)
Coal	19 (8.52%)	10 (4.85%)	15 (5.58%)
Others	46 (20.63%)	40 (19.42%)	55 (20.45%)
<b>Total</b>	<b>223 (100%)</b>	<b>206 (100%)</b>	<b>269 (100%)</b>

#### ii. Voyage Charters v/s Time Charters

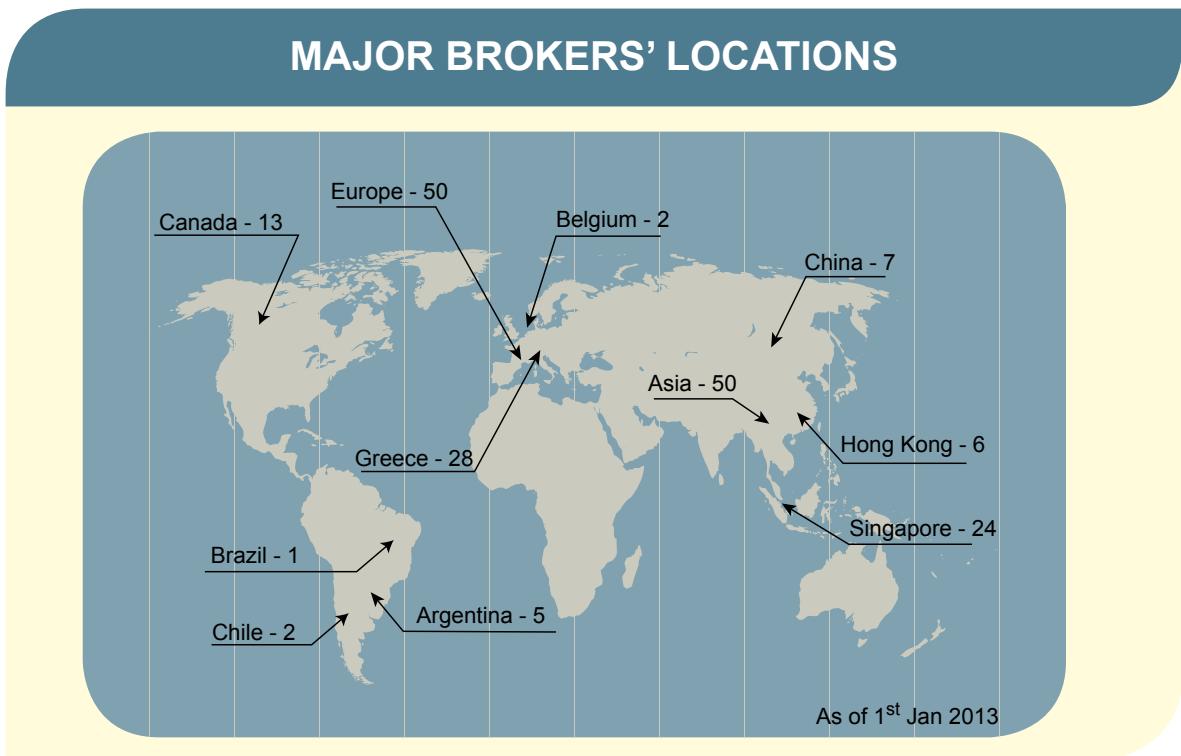
Charter	(Number of Voyages and % of Total Voyages)		
	2010	2011	2012
Voyage Charters	1 (0.45%)	29 (14.08%)	45 (16.73%)
Time Charters	222 (99.55%)	177 (85.92%)	224 (83.27%)

#### iii. Vessel Trading Areas





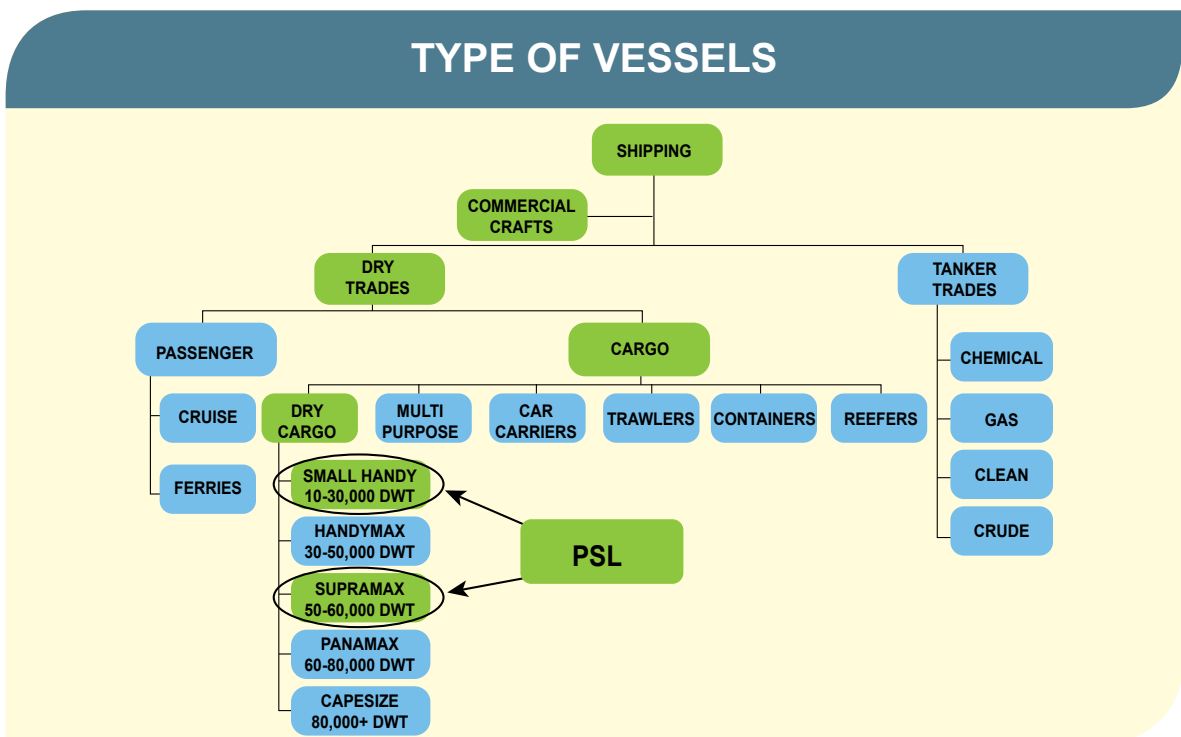
iv. Marketing network and major broker locations:



From the above graphs it can be observed that PSL enjoys a wide coverage with its top class world-wide marketing network. The extensive use of the internet has allowed this coverage to be obtained in an extremely cost effective manner.

## 2. INDUSTRY STRUCTURE

Broadly the Shipping Industry is classified as under:



## 2.1 Small Handy Size Market

The small handy size sector is classified as the ships in the range of 10,000 - 30,000 DWT, although lately the Industry has begun including ships of 30,000 - 40,000 DWT also in this sector. The demand in the small handy size market is fragmented because of the broad cargo base and multitude of ports serviced by the market segment. However, because this segment caters to such a wide variety of cargoes and calls on smaller ports, the demand is less volatile compared to the larger ships.

On the supply side also the industry is highly fragmented. The fleet of 2,752 ships (as at end 2012) has the largest operator having only about 100 ships or about 4 percent market share of capacity in DWT terms. The majority of the operators are private companies with a small number of vessels.

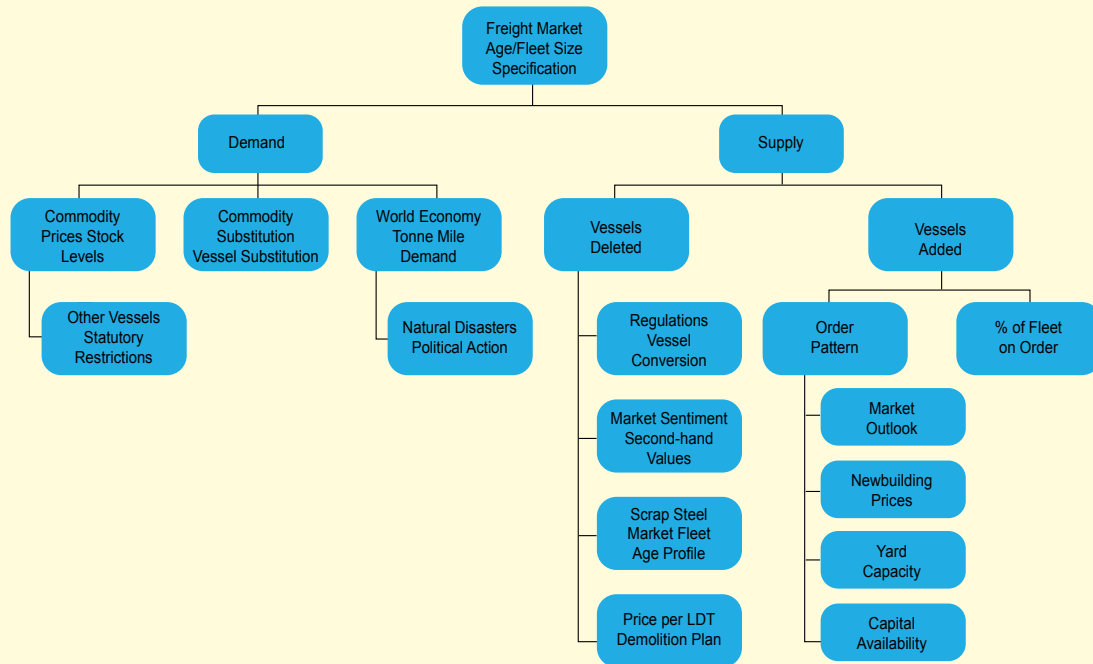
Historically, the shipping industry has been a very cyclical industry with approximately two years of declining charter rates needed to stabilise supply and demand before freight rates begin to increase. The previous “down cycle” started in mid 1997 because of the demand issues associated with the “Asian crisis”. With the gradual increase in economic growth in all regions of the world, the dry bulk demand improved in 2000 and the improvement continued till first half of 2001. Also helping the bullish freight rates was increased scrap prices that led to the demolition of older vessels. Thereafter, since the end of 2001, the market witnessed a downturn due to various factors which was of a rather limited duration. The market since then has witnessed an unprecedented upward trend starting in the third/fourth quarter of 2003, and has remained firm throughout 2004 and till the first half of 2005 after which the market again experienced a small downturn which, experts attributed to an upsurge in supply of vessels coupled with a decline in scrapping of older vessels. However, contrary to expectations and conventional wisdom, the market turned north from the end of the second quarter of 2006. During 2007, the market continued heading north and reached a peak indicated by the Baltic Dry Index (BDI) touching 11,039 points on 13<sup>th</sup> November 2007 before starting to drift lower till the end of January 2008. The market then again headed north till it reached its highest level ever of 11,793 points on the 20<sup>th</sup> May 2008 after which, with the onset of the Global Financial Crisis (GFC) and the threat of sustained global recessionary conditions, it has fallen consistently, reaching close to all-time low at 663 points on the 5<sup>th</sup> December 2008 and was at 774 points at the end of the year 2008.

During 2012, the Baltic Dry Index (BDI – as described in 2.3 hereunder) fell from 1,738 points at the end of 2011 to 699 points at the end of year 2012 with a predominantly downward momentum as increased supply of new Ships into the World Fleet outpaced the record Scrapping rate in 2012. This supply is expected to ease to single digit growth rates as compared to the low teens growth rate established during 2009 to 2012. This leads us to conclude that the BDI may remain at the current low levels at least for 2013 where after the BDI should start to see the next cyclical upswing taking traction in 2014 and beyond.

## 2.2 Demand - Supply

While the composition and the age of a Company’s fleet does have an effect on its earnings and expenses, the following table illustrates the various external factors governing demand and supply which drive the shipping industry and create the business cycle.

## FREIGHT MARKET : DEMAND and SUPPLY



### 2.3 Shipping Market Index

The BDI is the leading indicator of spot dry bulk cargo market rates, calculated by the London-based Baltic Exchange. A description of the BDI and its computation method is provided hereunder.

#### The Baltic Dry Index

The BDI is the successor to the Baltic Freight Index (BFI) and came into operation on 1<sup>st</sup> November 1999. Since the 1<sup>st</sup> of July 2009, the Index is a composite of an Average of Time Charter rates (TC) of Capesize, Panamax, Supramax and Handysize Vessels on certain Shipping routes.

The BDI is computed by applying the following formula:

$$((\text{Capesize TC} + \text{Panamax TC} + \text{Supramax TC} + \text{Handysize TC})/4) \times 0.113473601.$$

The multiplier was first applied when the BDI replaced BFI, and has changed over the years as the contributing indices and the methods of calculation have been modified.

#### Baltic Supramax Index (BSI)

The Baltic Supramax Index is based on the following type of Vessel as described below:

Standard “Tess 52” type vessel with grabs as follows:

- 52,454 DWT self trimming single deck bulk carrier on 12.02 m draught.
- 189.99 m Length, 32.26 m Breadth, 5 hatches, 67,756 cubic metres space for loading cargo.
- Speed of 14 knots loaded with cargo, speed of 14.5 knots without any cargo on a consumption of 30mt of fuel oil per day at sea.
- 4 Cranes, each of 30mt lifting capacity with 12 cubic metre grabs for loading and or discharging cargoes.
- Maximum age of Vessel - 10 years.

### Route definitions

- Route 1A:** Delivery of the ship within Antwerp/Skaw range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.
- Route 1B:** Delivery of the ship passing Canakkale for one single time charter. Duration of the time charter about 50/55 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 12.5 percent.
- Route 2:** Delivery of the ship within South Korea/Japan range for one single time charter via Australia or cross the Pacific Ocean. Duration of the time charter about 35/40 days. Redelivery of the ship within South Korea/Japan range. Weightage applied: 25 percent.
- Route 3:** Delivery of the ship within South Korea/Japan range for one single time charter. Duration of the time charter about 60/65 days. Redelivery of the ship within Gibraltar/Skaw range. Weightage applied: 25 percent.
- Route 4A:** Delivery of the ship within the US Gulf for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.
- Route 4B:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 30 days. Redelivery of the ship within the US Gulf. Weightage applied: 12.5 percent.

In all above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

### Baltic Handysize Index (BHSI)

The Baltic Handysize Index is based on the following type of Vessel as described below:

- 28,000 DWT self trimming single deck bulk carrier on 9.78m draught.
- 169m length, 27m breadth. 5 holds and 5 hatches. 37,523 cubic metres space for loading cargo.
- Speed of 14 knots on average with a consumption of 22mt fuel per day at sea.
- 4 Cranes each of 30mt capacity for loading and or discharging cargoes.
- Maximum age of Vessel - 15 years.

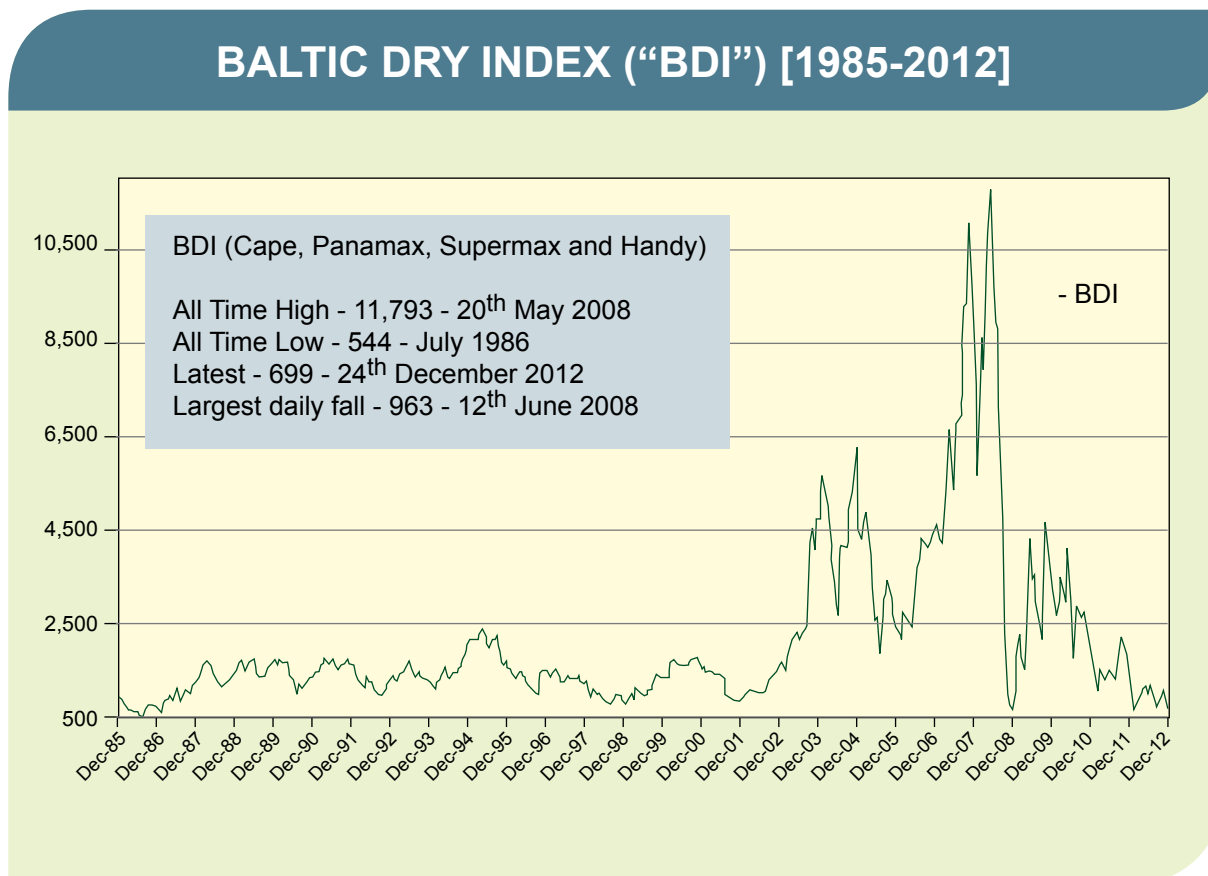
### Route definitions

- Route 1:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Recalada/Rio de Janeiro range. Weightage applied: 12.5 percent.
- Route 2:** Delivery of the ship within Skaw/Passero range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Boston/Galveston range. Weightage applied: 12.5 percent.
- Route 3:** Delivery of the ship within Recalada/Rio de Janeiro range for one single time charter. Duration of the time charter about 35/45 days. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.
- Route 4:** Delivery of the ship within US Gulf for one single time charter. Duration of the time charter about 35/45 days via US Gulf or North Coast South America. Redelivery of the ship within Skaw/Passero range. Weightage applied: 12.5 percent.
- Route 5:** Delivery of the ship within South East Asia for one single time charter via Australia. Duration of the time charter about 25/30 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

**Route 6:** Delivery of the ship within South Korea/Japan range for one single time charter via North Pacific. Duration of the time charter about 40/45 days. Redelivery of the ship within Singapore/Japan range including China. Weightage applied: 25 percent.

In all above, it is assumed that 5% total commission on the Gross Time Charter Hire would be payable and business is done within 5/10 days in advance of the ship being free of her last cargo.

The following graph shows the movement of the BDI from 1985 to the end of the Previous Year (2012).



## 2.4 Maritime Laws and Regulations

Maritime laws and regulations are very complex and rigid. Due to PSL's strict observance of all maritime laws and regulations coupled with excellent maintenance of its vessels, increasingly stringent regulatory environments actually play to PSL's strengths. For example, PSL's vessels frequently sail into Australia, U.S., Canada and the European Union where authorities are very harsh, whereas similarly aged vessels owned/managed by others would prefer not to, due to the possibility of being detained and incurring very costly and unplanned repairs.

The following major laws and regulations govern the International Shipping Industry:

### 1. Flag State

Each ship is registered under a Flag State, which is the nation in which the ship is registered and which holds legal jurisdiction as regards operation of the ship. The Flag State issues a Certificate of Registry, which is one of the essential documents that every ship has to possess before she can operate and sail from or to any port. This certificate generally contains details of the ship, flag and owner.

## **2. International Maritime Organization**

The International Maritime Organization (IMO) is a UN body, which regulates the International Shipping Industry for safety of life, property and the environment. The numerous IMO conventions, for example, the Loadline Convention, the SOLAS Convention (Safety of Life at Sea), and MARPOL (Prevention of Pollution from Ships), form the basis of Maritime regulations and certification. IMO Conventions are constantly being reviewed and updated to keep them in line with changing trends. Flag States are members of the IMO and are committed to abide by these conventions and regulations. Under MARPOL requirements, major changes with regard to reducing air pollution will come into force from 1<sup>st</sup> January 2013. New ships built after this date are required to have an Energy Efficiency Design Index (EEDI) determined at the construction stage. The IMO has set a limiting value for EEDI which cannot be exceeded; IMO has also issued detailed guidelines for improving the EEDI in subsequent years. All ships are also required to have a Ship Energy Efficiency Management Plan (SMEEP) from 1<sup>st</sup> January 2013. Engine exhaust emission standards are also controlled by the MARPOL regulations.

## **3. Classification Societies**

Marine insurance policies are subject to a classification clause. Each ship is required to be registered or classed with a world-wide, experienced, and reputable organization, called Classification Societies. The International Association of Classification Societies (IACS) was established in 1968 and has leading societies as members. The classification societies ensure that standards for construction and maintenance of the ships are complied with and are also usually empowered by Flag States to ensure compliance with IMO conventions.

## **4. Carriage of Goods by Sea Act**

The Carriage of Goods by Sea Act (COGSA) was introduced in 1924 in Brussels, after many shipping conferences were held among various European nations interested in shipping transportation; subsequently, similar legislation was also introduced in America. This law covers the international transportation of merchandise by sea and has been amended many times since. The most recent amendment was made in 1992.

## **5. International Safety Management Code (ISM Code)**

This code is for the safe operation of ships and prevention of pollution at sea and came into force on 1<sup>st</sup> July 1998. The ISM Code, which is a part of the IMO SOLAS Convention, applies to all vessels engaged in international trade. For compliance with the ISM code, two levels of certification are required: the manager/operator (defined as the “Company” in the code) will have a Document of Compliance ‘DOC’, and each and every vessel will have a Safety Management Certificate ‘SMC.’ This code ensures that not only the ship but also the company managing the ship from ashore are subject to certification.

## **6. International Code for the Security of Ships and of Port Facilities (ISPS Code)**

This code was developed by the IMO in the aftermath of 9/11 attacks in New York. The ISPS Code came into force in July 2004 and establishes mandatory measures aimed at improving the security of ships and port facilities to better protect them from all sorts of threats.

## **7. International Labour Organization (ILO)**

The International Labour Organisation (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006). The MLC convention is referred to as the “fourth pillar” of the maritime regulations, the others being SOLAS, MARPOL & STCW.

The MLC 2006 achieved the required ratification criteria in August 2012. All vessels are required to comply with MLC 2006 before 20<sup>th</sup> August 2013.



The Appendices to the MLC 2006 Convention contain two key model documents: a maritime labour certificate and a declaration of maritime labour compliance. These certificates would be issued by the Flag State to a ship that flies its flag, once the State (or a recognized organization that has been authorized to carry out the inspections) has verified that the labour conditions on the ship comply with national laws and regulations implementing the Convention.

The MLC 2006 addresses the following in respect of conditions on board the ship:

Title 1: Minimum requirements for seafarers to work on a ship.

Title 2: Conditions of employment.

Title 3: Accommodation, recreational facilities, food and catering.

Title 4: Health protection, medical care, welfare and social security protection.

Title 5: Compliance and enforcement - on board complaint procedures.

## **8. International Health Organization (IHO)**

Ships have to maintain a valid Ship Sanitation Exemption/Control Certificate. Previously, ships were required to comply with a de-rat/exemption certificate which was primarily to curb the spread of Plague due to the possible presence of rats on board. The new International Health Regulation (IHR) 2005 and Ship Sanitation Certificate replace the de-rat/exemption certificate. The IHR 2005 is concerned with spread of diseases that encompass both infection and contamination. Potentially, a number of infectious diseases or kinds of contamination could be spread by ships. Accordingly, the IHR 2005 provides for ships engaged in International Voyages to be issued with:

Ship Sanitation Control Exemption Certificates where the public health authorities have inspected a ship and found no evidence of infection or contamination, or of vectors or reservoirs of infection and contamination or of microbiological, chemical and other risks to human health, or signs of inadequate sanitary measures or Ship Sanitation Control Certificates where the public health authorities are satisfied that procedures necessary to rid the ship of infection, contamination and/or their vectors/ reservoirs have been effectively carried out.

## **9. International Convention on the Control of Harmful Anti-fouling Systems (AFS) for Ships**

A new IMO convention will prohibit the use of harmful organisms in anti-fouling paints used on ships and will establish a mechanism to prevent the potential future use of other harmful substances in anti-fouling systems. Ships have to carry a certificate to demonstrate compliance with AFS.

## **10. International Convention on Standards of Training, Certification and Watch-keeping for Seafarers, 1978, as amended (STCW 1978)**

The 1978 STCW Convention was the first to establish basic requirements on training, certification and watch-keeping for seafarers on an International level. Previously the standards of training, certification and watch-keeping of officers and ratings were established by individual governments, usually without reference to practices in other countries. As a result, standards and procedures varied widely, even though shipping is the most International of all industries. The Convention prescribes minimum standards related to training, certification and watch-keeping for seafarers which countries are obliged to meet or exceed. In 1995, a major revision was carried out in order to bring about more stringent requirements to the standards.

Another major revision to the STCW Code has been adopted at a Diplomatic Conference in Manila in June 2010, thereby ensuring that the necessary global standards will be in place to train and certify seafarers to operate technologically advanced ships for some time to come. The amendments, known as “The Manila amendments to the STCW Convention and Code” entered into force on 1<sup>st</sup> January 2012 under the tacit acceptance procedure and were aimed at bringing the Convention and Code up to date with developments since they were initially adopted in 1978 and further revised in 1995; and to enable them to address issues that are anticipated to emerge in the foreseeable future. Amongst the amendments adopted, there are a number of important changes to each chapter of the Convention and Code.

#### **11. International Convention for the Control and Management of Ships’ Ballast Water and Sediments, 2004**

Ships take in large volume of ballast water after discharging cargo to maintain stability. This ballast water containing species from one region is discharged in another region where the ships load a cargo. The problem of invasive species has increased due to the expanded trade and traffic volume over the last few decades. The effects in many areas of the world have been devastating. Quantitative data show that the rate of bio-invasions is continuing to increase at an alarming rate, in many cases exponentially, and new areas are being invaded all the time. At present, the regulations require vessels to exchange ballast water at open sea before discharging into a different port. New regulations will require ships to treat the ballast water taken into its tanks with the help of an approved treatment system which needs to be installed on board. This new regulation is expected to enter into force in the year 2013. Ships with keels laid after 1<sup>st</sup> January 2012 will have to comply when the regulation enters into force; older ships with keel laid before 1<sup>st</sup> January 2012 will have to comply with these rules at the first dry-docking after 1<sup>st</sup> January 2016.

#### **12. International Convention on Civil Liability for Bunker Oil Pollution Damage, (CLC 2001)**

The Convention was adopted to ensure that adequate, prompt, and effective compensation is available to persons who suffer damage caused by spills of oil, when carried as fuel in ships’ bunkers. The Convention applies to damage caused on the territory, including the territorial sea, and in exclusive economic zones of State Parties.

#### **13. Various Regional and Local Regulations around the world**

Shipping is regulated by various regional regulations and acts like:

US Environmental Protection Act (EPA)

US National Pollutant Discharge Elimination System (NPDES) is a system under the US environmental protection rules (Clean Water Act) to minimize pollution within US territorial waters (3 nm). For ships greater than 79 feet in length, all the requirements are laid out in a document called the Vessel General Permit (VGP). These requirements are additional to international environmental rules such as MARPOL. The VGP establishes technology-based effluent limits for all vessels and for 26 specific discharges incidental to the normal operation of a vessel. In addition to these discharge and vessel specific requirements, extensive requirements are included for inspections, monitoring, reporting and record-keeping. The VGP requires a detailed review of environmental protection systems, crew training and record-keeping. The rules have been in force since the beginning of 2009.

US EPA has made it mandatory from 1<sup>st</sup> July 2012 for all vessels to have in place control measures and records against bio-fouling activity while in US waters.

European Union directives on quality of fuel burnt within EU territory, etc., continue to be developed.

#### **14. Port State Control Inspections**

Ships calling at ports in countries other than where the ship is registered are subject to inspections under Port State Control memoranda of understanding of various regions or under the authority of the local government. These inspections are targeted to identify and eliminate substandard vessels from trading. Any serious deficiency identified by the inspectors may result in detention of the vessel from sailing out until the deficiency is rectified to their satisfaction. The Port state control regime is receptive to complaints from crew members as well as any whistle blowers who disclose wrong doings or illegal activity carried out by the vessel.

# FLEET LIST

(As on 31<sup>st</sup> December 2012)

No.	Vessel Name	FLAG	Year Built	Dead Weight Tonnes (DWT)	**Net Book Value (Million US\$)	***Insured Value (Million US\$)
1	Fujisan Maru *	Bahamas	1976	16,922	0.66	3.00
2	Apisara Naree	Thai	1996	18,596	6.33	6.00
3	Bussara Naree	Thai	1997	18,573	6.59	6.00
4	Suchada Naree	Thai	1994	23,732	5.41	5.00
5	Parinda Naree	Thai	1995	23,720	5.68	6.00
6	Boontrika Naree	Thai	1990	27,881	3.51	5.00
7	Tharinee Naree	Thai	1994	23,724	5.52	5.00
8	Chollada Naree	Thai	1997	18,485	7.18	7.00
9	Dusita Naree	Thai	1997	18,486	6.97	7.00
10	Emwika Naree	Thai	1997	18,462	6.86	7.00
11	Ploypailin Naree	Thai	1995	26,472	6.36	6.00
12	Fonthida Naree	Thai	1995	28,484	6.96	7.00
13	Rattana Naree	Thai	2002	28,442	12.80	12.00
14	Chalothorn Naree	Thai	1996	27,079	9.32	9.00
15	Saranya Naree	Thai	1991	28,583	5.61	5.00
16	Sujitra Naree	Thai	1995	28,290	7.99	8.00
17	Vijitra Naree	Thai	1997	28,646	9.84	10.00
18	Urawee Naree	Thai	1997	28,415	14.72	14.00
19	Mathawee Naree	Thai	1996	28,364	14.16	14.00
20	Rojarek Naree	Thai	2005	29,870	18.80	19.00
21	Nalinee Naree	Thai	2005	31,699	20.41	20.00
22	Ananya Naree	Singapore	2011	33,857	28.85	29.00
23	Chamchuri Naree	Thai	2005	33,733	18.29	18.00
24	Charana Naree	Thai	2005	33,720	18.39	18.00
25	Mookda Naree	Thai	2009	30,162	17.36	17.00
26	Mayuree Naree	Thai	2008	30,193	17.12	17.00
27	Benjamas Naree	Singapore	2012	33,780	29.16	29.00
28	Mallika Naree	Thai	2008	30,195	16.05	17.00
29	Lanna Naree	Thai	2012	33,843	19.67	19.00
30	Latika Naree	Thai	2012	33,869	19.74	19.00
<b>Handysize-30 Vessels</b>				<b>816,277</b>	<b>366.31</b>	<b>364.00</b>
31	Kanchana Naree	Thai	2011	56,920	25.74	25.00
32	Kirana Naree	Thai	2011	56,823	25.66	25.00
33	Apiradee Naree	Singapore	2012	56,512	27.65	27.00
34	Baranee Naree	Singapore	2012	56,441	27.57	27.00
35	Chayanee Naree	Singapore	2012	56,548	27.64	27.00
36	Daranee Naree	Singapore	2012	56,588	27.72	27.00
<b>Supramax-6 Vessels</b>				<b>339,832</b>	<b>161.98</b>	<b>158.00</b>
<b>36 Vessels</b>		<b>Total</b>		<b>1,156,109</b>	<b>528.29</b>	<b>522.00</b>

Remarks \* 64% shares held by PSL Group

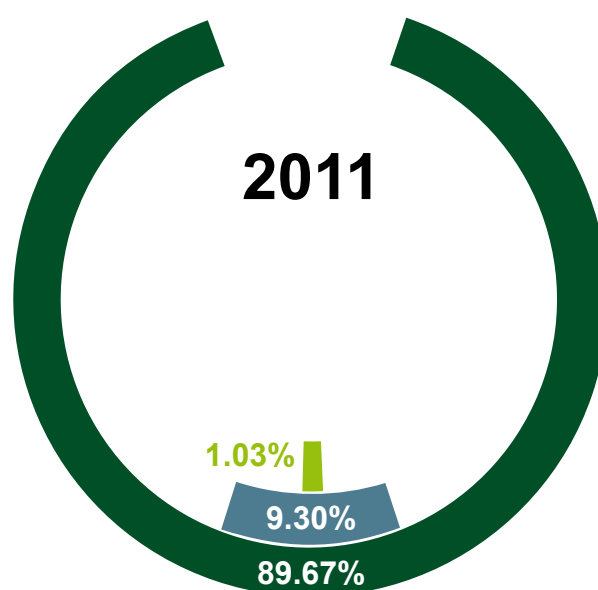
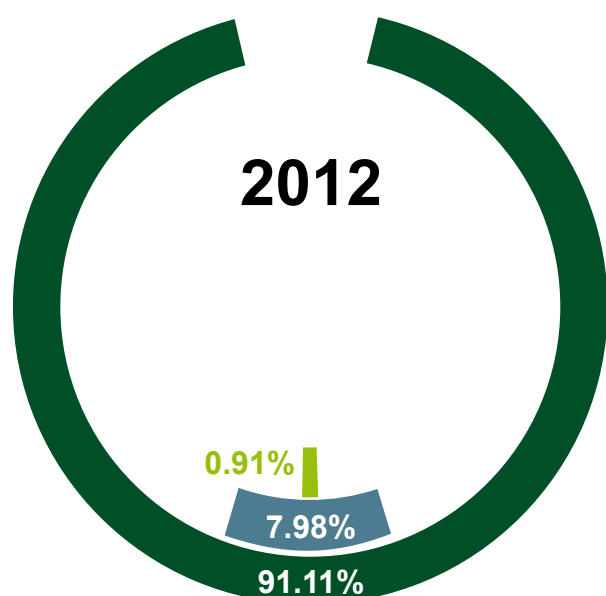
\*\* Net Book Value is as per US Dollars (functional currency) financial statements as on 31<sup>st</sup> December 2012

\*\*\* Insured Value means agreed value to be received from the insurer in case of total loss of the Vessel

## REVENUE STRUCTURE

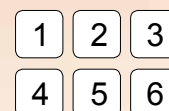
Revenue Structure from the Operation of the Company and Subsidiaries for the last 2 years

Revenues	2012		2011	
	Baht Million	%	Baht Million	%
Vessel operating income	3,487.54	91.11	3,078.92	89.67
Gains on novation of shipbuilding contracts	305.45	7.98	319.17	9.30
Other income	35.03	0.91	35.42	1.03
<b>Total Revenues</b>	<b>3,828.02</b>	<b>100.00</b>	<b>3,433.51</b>	<b>100.00</b>



Vessel operating income
  Gains on novation of shipbuilding contracts
  Other income

## THE BOARD OF DIRECTORS



### 1. Mr. Thira Wipuchanin

- Chairman of the Board of Directors
- Independent Director

### 2. Mr. Suphat Sivasriaumphai

- Chairman of Audit and Corporate Governance Committee
- Nomination Committee Member
- Independent Director

### 3. Mr. Khalid Moinuddin Hashim

- Director & Executive Director
- Managing Director

### 4. Mr. Munir Moinuddin Hashim

- Director & Executive Director
- Director - Commercial

### 5. Mr. Khushroo Kali Wadia

- Director & Executive Director
- Director - Finance

### 6. Mr. Jaipal Mansukhani

- Director





7	8	9
10	11	12

#### 7. Miss Nishita Shah

- Director

#### 8. Mr. Kirit Shah

- Director
- Remuneration Committee Member

#### 9. Mr. Chaipatr Srivisarvacha

- Chairman of Nomination Committee
- Independent Director

#### 10. Associate Professor Pavida Pananond, Ph. D.

- Audit and Corporate Governance Committee Member
- Remuneration Committee Member
- Independent Director

#### 11. Mr. Kamtorn Sila-On

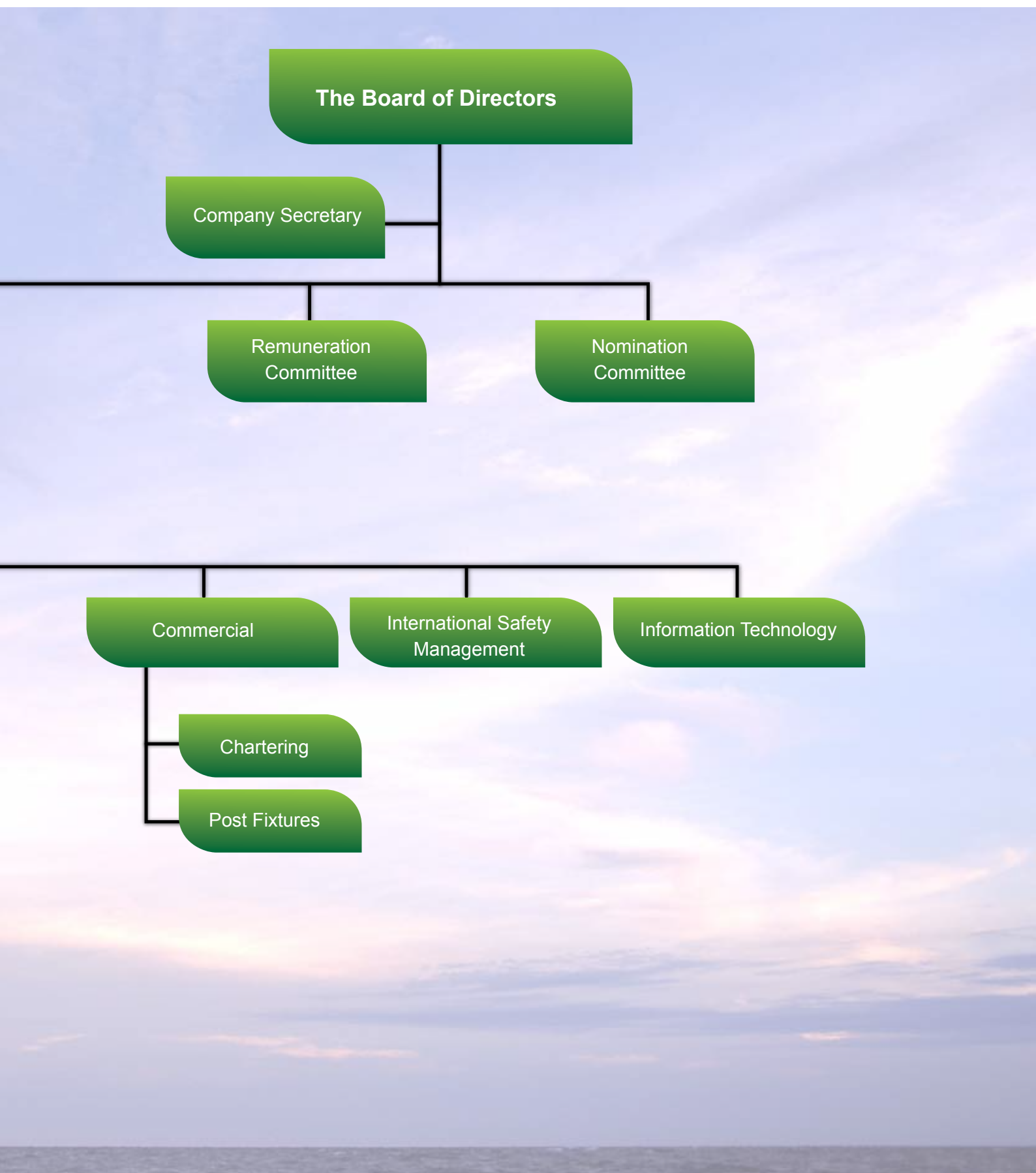
- Chairman of Remuneration Committee
- Audit and Corporate Governance Committee Member
- Nomination Committee Member
- Independent Director

#### 12. Mr. Ishaan Shah

- Director

# ORGANIZATION CHART





# BOARD OF DIRECTORS' REPORT



**Mr. Khalid Moinuddin Hashim**

Managing Director

## TO THE SHAREHOLDERS:

The directors are pleased to present the 24<sup>th</sup> Annual Report of the Company along with the Audited Financial Statements as on 31<sup>st</sup> December 2012.

**Bloody Red:** Ren Yuan Lin, the CEO of Yangzijiang Shipbuilding in China, mentioned in an interview that 2011 was black, 2012 was grey but 2013 would be bloody red for shipbuilding. 2012 began with the 78 year old Sanko Steamship filing for protection under US Chapter 11 for the second time in its history. This was followed in the middle of the year by the bankruptcy of 283 year old Stephenson Clarke, the oldest shipping company in existence. Overseas Shipholding Group, a 1948 startup, embraced Chapter 11 towards the end of the year. We are afraid that these are not good omens for 2013 which will be characterized by continued bankruptcies; bank repossessions; and older ships being valued at scrap. Bloody Red 2013 could be an apt description for almost the entire Maritime world. Large scale scrapping of ships over 15 years of age will be the only solution that will bring back a cyclical recovery.

**Shipping banks** have contributed to the current debacle with 'easy loans', during the boom years prior to and including 2008, allowing ship owners to over-order/buy ships with little equity and no forward contract coverage. Banks are now struggling to extricate themselves from these 'easy-loans-now-turned-bad' as asset values decline. The banks have managed this by following a strategy of 'amend, pretend and extend' applied to 'easy-loans-now-turned-bad' rather than face the music. Restructuring, inside or outside the bankruptcy courts, has happened in a few cases and others are in negotiation. But with banks converting debt to equity, shipping companies will be owned by banks without any reduction in the overall supply of ships, prolonging the recession. Ship finance is, therefore, not going to get any easier. The case of Omega Navigation Enterprise (ONE), details of which have been obtained from various publicly available news articles/analysts reports, is instructive on this point. ONE was established in 2005; went public via an IPO on NASDAQ in April 2006 raising USD 147.83 million; filed for Chapter 11 in June 2011 with assets valued at USD 390 million; and after 18 painfully long months converted to a Chapter 7 liquidation case. ONE had borrowed USD 243 million from HSH, a leading Ship lending bank, against a mortgage on their ships; about USD 43 million under a second mortgage on the same ships from BTMU and NIBC Bank; and had some unsecured creditors. Under Chapter 7, HSH will get the ships that were mortgaged to them currently valued at around USD 180 million; HSH will shell out a further USD 10 million to cover outstanding legal fees and other expenses at ONE during Chapter 11; BTMU and NIBC Bank will get nothing; all three banks will not have recovered any interest since 2011; and the unsecured creditors will get USD 500,000. With such losses being typical, ship lending banks will be loath to lend any more funds to our industry. The lack of current/future bank finance and absence of new equity sources will help to stabilize the markets, but the economic outlook for world trade suggests recovery will not arrive prior to 2014 at the earliest.

**Mr. Khushroo Kali Wadia**

Executive Director



The situation at the **newbuilding shipyards**, especially those that had been newly developed in the recent past, has become impossible. Those that have managed to survive have reduced their existing capacity via consolidation; some have gone back to block-building and ship repairing; and others have converted to 'green' recyclers. Newbuilding shipyards are actively marketing their vessels as 'eco friendly' and describing them with speed and consumption figures that have previously never been achieved and appear very attractive for ship owners and charterers. In other parts of our report we have listed some energy saving measures which can be used effectively. While many of these methods have been incorporated with the superior technology available today, the figures being bandied about tend to be somewhat inflated and are more realistic when corrections for variables such as calorific value of fuel, design and scantling draft and 'Sea margins' are taken into consideration. According to Clarksons Research, at the end of 2008 there were 955 active newbuilding shipyards, an increase from 354 yards at the start of 2000. By the end of 2012 the number of active newbuilding shipyards would have dropped to 538, a drop of over 40%. By the time we reach the bottom of the cycle in 2013 we could see the number of active newbuilding shipyards return to pre-boom levels of around 350.

China and South Korea are home to many newbuilding shipyards that have been reported in the shipping press as being in financial distress.

**Scrapping** in 2012 had a stellar all time record of 35.97 MDWT dry bulk ships being torched. **Slippage** is the difference between the DWT of new ships on order at shipyards at the beginning of the year and the actual deliveries of DWT of new ships at the end of the same year. Slippage in 2012 came in at 29% a bit lower than the average for the past 4 years. As a result, the net increase in supply for 2012 was 70.47 MDWT with a yearend number of 692.74 MDWT! This amounted to an 11.3% net increase in the World Dry Bulk fleet. With slippage and scrapping demonstrating such volatility, the net increase in DWT of ships in future years will remain difficult to predict. We think that slippage and scrapping will retain their unpredictability and will fluctuate inversely with the strength of the Baltic Dry Index (BDI). If we assume annual slippage at 30% and scrapping at 35 MDWT, then net increase in the Dry Bulk Sector may touch a low of 5% or 35 MDWT to 728 MDWT at the end of 2013 with hardly any growth predicted for 2014.

On the demand front, the large clouds on the horizon have begun to dissipate. China, the big mainstay of the dry bulk markets, has struggled with GDP growth falling to 7.8% in 2012. China's economy in 2013, however, is expected to improve and grow between 8 and 9% based on the twin assumptions of the continuation of modest easing and prudent monetary policy. The fact that the once-in-a-decade political transition occurred in the middle of a five-year economic plan suggests that there will be no fundamental change in economic policy and economic reforms will continue under the New Leadership. China is trying to stimulate its domestic economy and curb its dependence on the export markets of the EU and USA. According to various reports, crude steel production is forecast to rise to 750+ MMT and iron ore imports are expected to reach 780/790 MMT in 2013.



Economic traction is beginning to take hold in the USA, the largest market in the world, where the Federal Reserve has embarked upon QE4 to further stimulate the economy. The EU, including the UK, continues to struggle with their economies. Lingering debt problems at the sovereign and household levels in the UK and EU suggest that public and consumer spending will remain subdued for some more time. As such, demand from the EU/UK is expected to be muted.

The unintended consequence of diminished demand would be a dramatic increase in the scrapping of older ships. Before the end of 2015, 18% of the current dry bulk fleet of 692.74 MDWT would be over 20 years of age, equal to 126.71 MDWT, and could head for the scrap yards. During 1986, when the BDI averaged an all time low of 715 points, some dry bulk ships as young as 10 to 14 years of age were scrapped, with the majority between 15 to 19 years of age. If we were to apply the 1986 age profile for scrapping to the world fleet in 2013, at least 29% of the world dry bulk fleet older than 15 years or 200.15 MDWT would be ready to head for the scrap yards before the end of 2016. As can be seen, from the anecdotal examples provided in other parts of this report, ships as young as 15 years old have already been sent for scrap and hence the need to consider potential scrap candidates with this age profile in mind.

To keep things in perspective with regards to PSL, we would like to highlight the annual net profit/loss over the past few years.

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Av. BDI	1,137	2,617	4,510	3,371	3,180	7,065	6,390	2,617	2,758	1,549	920
Net Profit \$m	(0.5)	24.8	110.10	154.2	92.6	125.1	148.1	88.1	35.5	23.6	4.5
Av. No. of Ships	29.22	28.39	44.63	52.89	54.00	44.97	44.12	32.79	21.39	21.91	30.44
Net Profit/Ship \$m	(0.02)	0.87	2.47	2.92	1.72	2.78	3.36	2.69	1.66	1.08	0.15

Our results for 2012 must be viewed against the average BDI for the year of 920 points, being the third lowest figure in BDI history! Whilst most of our peers were seeking protection under Chapter 11 or undergoing restructuring of some sort or the other, we managed to turn in a tidy, though small, profit. 2010 and 2011 will be remembered as the 'consolidation years' when we shrank our balance sheet, reduced our fleet size and prepared for the rejuvenation of our fleet with modern, efficient and craned ships.

## AWARDS AND ACCOLADES:

**The Seatrade Asia Awards** Ceremony was held in Singapore at the Shangri-La Hotel on the 23<sup>rd</sup> April when our Managing Director, Mr. Khalid M Hashim was accorded **The Lifetime Achievement Award for 2012**, "in recognition of his outstanding contribution to the industry over many years, in Asia and beyond." PSL was also one of the three nominees for The Dry Bulk Operator of the year award at the same function. Seatrade has for many years been involved in developing awards programs for the maritime industry, recognizing excellence in a variety of different fields. The original Seatrade Awards program was established in London in 1988, with the full support of the IMO, and the Secretary General remains the Chairman of the judging panel to this day. The Asia Awards program was launched in 2008 to raise the profile of maritime development across Asia and to underscore excellence in the fields of innovation; commitment to safety and quality; social and environmental responsibility; enterprise and achievement, as well as education and training.

**PSL is 2012's Best Ship Operator, Lloyd's List Asia Awards.** According to Lloyd's List PSL got this award due to the Company's ability to endure, stabilise, and improve its fleet and push its business forward in the most difficult shipping market since the 1980s. We were a first-time winner in the Lloyd's List Asia Awards. The judges cited our ability to hold down operating costs and intensify risk management despite the challenges faced by dry bulk ship operators in the current environment. In the view of the judges, we avoided the most dangerous of "the seven deadly sins" by not buying assets during the bubble, and can now buy very good secondhand ships at low prices at the bottom of the market.



**The Marine Money June/July 2012** 'worldwide ranking' issue had PSL as the 23<sup>rd</sup> best shipping company in the whole world based on results for 2011. The methodology used by Marine Money for their rankings was a simple aggregate of 6 criteria: Total return to shareholders, Asset turnover, Profit margin, Return on Equity, Return on Assets and Price to book value. We were ranked 5<sup>th</sup> in the Financial Strength ranking which indicates that we continue to remain financially strong. If you were to combine the Performance Ranking with the Financial Strength Ranking of the Top 25 Companies in both rankings, then you would see that PSL would have been ranked 9<sup>th</sup> best shipping company in the world on a Risk Adjusted basis! This indicates that we are well poised to implement our fleet rejuvenation plan successfully without undue risks or strain on our financial position.

## FINANCIAL HIGHLIGHTS (THAI BAHT TERMS) AND REVIEW OF THE YEAR:

In terms of operations, during the year under review, the Total Revenues of the Company were Baht 3,828.02 million [2011: Baht 3,433.51 million] and the Company earned a Net Profit of Baht 141.03 million [2011: Baht 718.52 million]. The Shareholders' Equity of the Company is Baht 14,484.23 million [2011: Baht 15,356.50 million] and the Total Assets of the Company have increased during the year to Baht 24,029.69 million [2011: Baht 22,893.25 million] mainly due to the delivery of 11 Ships in 2012. The increase in Total Assets would have been higher had internal cash reserves not been utilized for prepayment of loans, payment of dividends and part-payment of Ships acquired during the year. It is also to be noted that Total Assets in Thai Baht (Reporting Currency) being restated from U.S. Dollars (Functional Currency) was lower due to appreciation of the Thai Baht against the U.S Dollar as at the end of year 2012 as compared that at the end of year 2011.

During the year, the Company earned Baht 150.83 million as Net Profit before Exchange Loss of Baht 5.65 million [2011: Exchange Loss of Baht 5.45 million] and Income Tax of Baht 4.15 million [2011: Baht 3.64 million]. In terms of the Earnings, the Company's ships achieved an average time-charter equivalent earnings of USD 8,221 per day per ship as compared to USD 11,265 per day per ship for year 2011. The Net Ship Operating Income (net of voyage disbursements and bunker consumption) in absolute terms was higher than that of the previous year, mainly due to higher average ships operated in 2012 (30Ships) as compared to 2011 (22 ships). However average time-charter equivalent earnings per day per ship in year 2012 was lower as compared to year 2011. Absolute ship running expenses (Opex), also increased by about 44%, mainly due to an increase in average number of Ships operated in 2012 as compared to 2011. However average ship running cost per day per ship (Average Opex per Day) during the year was lower as compared to 2011. The technical downtime was an average of 10.3 days per Ship, which is very good considering the average age of the fleet of about 11 years in 2012. As a result of the profitability and steady cash flows, the Company continues to maintain a high level of liquidity during 2012 and has paid dividends of Baht 467.70 million during the year 2012.

We also undertook an "in-house" exercise to determine Total Return to Shareholders, which was calculated for the 19 years that we have been operating as a listed entity. Based on the closing share price as on Friday the 16<sup>th</sup> September 2012 of Baht 13.20 per share (we started trading on the SET on the 16<sup>th</sup> September 1993) and assuming you had subscribed at the IPO, then, at the end of 19 years, you would have 11.95 times your initial investment. This return does not assume any re-investment of the dividends into shares or any interest on the dividends received.

## FLEET REJUVENATION:

The volatility of shipping values, which is an inherent part of our business, was demonstrated by the sale of the Capesize newbuilding 'Alberta Della Gatta' (175,125 DWT prompt delivery 2012 from New Times Shipyard in China) which was sold from the mortgagee bank (vessel was ex-Deiulemar) for a price of \$38m. This price is considerably lower than December 2007 when a prompt resale Cape bulker was valued at \$165m; a 10 year old Capex was valued at \$110m; and a 20 year-old Cape at \$64m. In the middle of July 2012, a 15 year-old Cape size bulker was sent to the recycling bin for just \$8.8m. This example highlights, if that was indeed required, the crucial importance of rejuvenating your fleet at the right time and, obviously, at the right price.

**The Fleet Rejuvenation Plan** of replacing the aging ships from our fleet with younger, better geared, economical and larger units began with the sale of 35 older ships since 2007. The replacement program has progressed well with the purchase of 7 second hand ships (average 5 years old) in the 30/34K range, 2 brand new 34K re-sales, and 6 brand new 57K re-sales during 2010/2012. Two brand new 34K ships from ABG have also joined our fleet during the same period.

At the start of 2013, our fleet had 36 ships (6 Supras and 30 Handy sizes) with an aggregate capacity of 1,156,109 DWT. This works out to an average 32,114 DWT per ship, and an average age of about 11 years. If we looked at just the Supras they had an average 56,639 DWT per ship and an average age of 1 year. The Handies had an average 27,209 DWT per ship and an average age of 13 years.

In a highly capital intensive business with very high leverage characterized by unpredictable and wildly swinging cycles, the timing of the purchase of ships is possibly the single most important decision that has to be made. Once this is done in a successful manner, the economic viability and security of the Company would be assured for the next few decades, as we would have replaced the majority of our older fleet at historically low price levels. To complete the renewal program and expanding our fleet to between 60 and 65 ships, we plan to buy additional ships if the price remains at current or lower levels. On the one hand, money is scarce and on the other, no one wants the new ships they had ordered in great excitement and haste just a few years ago. In this environment, we can complete our renewal plan by arranging good deals for second-hand ships from weakened sellers, or for troubled new building re-sales. This will be the last piece of the puzzle to fall into place, and should stand the Company in good stead for years to come.

**ABG Shipyard:** The first 34K ship was delivered in the middle of June 2011 and the second in the end of March 2012. The third 34K was delivered in January 2013 with a reduced price of USD 23m when compared to the contract price of USD 30m. We have profitably 'sold', through novations, five shipbuilding contracts (3X34K and 2X54K) to an unrelated third party. Three sales were booked in 2011 and two in second half of 2012. Another four contracts (2X34K and 2X54K) have been profitably 'sold' with receipt of some part of the novation proceeds in Q4 2012 with the balance expected in Q1 2013. That leaves six bulk shipbuilding contracts (4X34K and 2X54K) that ABG has to deliver to us during 2013 or early 2014. Under our Ship Building Contracts, we always have the option of cancelling the ships that are built later than their contractual delivery dates, re-selling these 'late' ship building contracts to others, or re-negotiating a fresh contract/price for these 'late' ships.

## HIGHLIGHTS OF 2012:

**The dry bulk market** did not get off to a good start in 2012 with 78 year old Sanko Steamship of Japan slipping into Chapter 11 for the second time in its history. This was followed by the oldest existing shipping company, the 283 year old Stephenson Clark, shuttering its doors in the UK by the middle of the year. Then it was the turn of 1948 incorporated Overseas Shipholding Group of the USA embracing Chapter 11 by the end of the year. The shipping malaise, apparently, is not bound by any geographical constraints.

**The Supply Side** numbers are finally showing light at the end of the proverbial dark tunnel. A total of 1,371 dry bulk ships or 106.44 MDWT entered the supply side during 2012. At the same time, owners have been forced to make extraordinary efforts to recycle as many ships as possible. Scrapping this year has smashed the previous record of 33.3 MDWT for demolition volumes with 77 Capesizes, 124 Panamaxs, 90 Supramaxes, 118 Handymaxes and 334 Handysizes torched, equivalent to 35.97 MDWT! This has resulted in the global dry bulk fleet strength, at the start of 2013, reaching 692.74 MDWT. 2013 and 2014 have 100/31 MDWT of brand new ships scheduled for delivery. If we assume annual scrapping of 35 MDWT and apply a 30% slippage in expected annual deliveries, 2013 ends with a world fleet of 728 MDWT for a growth rate of just 5% over the year. Under the same twin assumptions, 2014 ends with 736 MDWT for a growth rate of just 1% over the end-year total of 2013. The tsunami of newbuilding deliveries has finally come to an end!

The 172,900 DWT 'Shagang Sunrise' built 1997 sold for scrap in July 2012 is the youngest cape size bulker, at just 15 years old, to meet such a fate in the last two and half decades. This reminds us of the mid 1980's, the last time when markets were so bad, that 15 year old ships were sent to the scrap yard. Just five months after one of its sister vessels attained the same distinction, the 2000 built CMA CGM owned box ship 'Soraya' has gained the dubious distinction of becoming the youngest ship, at just 12 years old, to be scrapped during the current down turn. Scrapping is set to have a calming effect on the supply side.

The effect of the **Global Financial Crisis** still lingers with various Sovereign States catching the equivalent of an economic cold. The EU has taken the route of fiscal tightening coupled with tight monetary policy as a way out of their current predicament. This has reduced demand from these countries. The US has gone the other way with reasonably positive results and firm economic traction taking hold in their economy. The US has 'opened the taps' with QE3 and QE4 using monetary stimulus to pave the way to better economic health. In the meanwhile, China has deflated the bubble in the real estate sector (without popping it) and now needs to stimulate domestic consumption to make up for the lack of growth in their erstwhile booming export markets.

**India**, the country that always flatters to deceive, may yet prove its support for the Dry Bulk markets as more and more coal fired port based Power Plants come on stream. With the infamous power outage in summer a not too distant memory, depriving almost 700 million people of electricity in peak summer weather for almost 7 hours, these port based power plants could not have come on stream at a more opportune moment. Reports by the Paris-based International Energy Agency suggest that India could overtake China as the world's biggest buyer of seaborne coal and increase its 2012 annual coal imports from the 107 MMT mark to the 250-300 MMT mark before the end of 2016. The US is already exporting record volumes of coal to Asia and Europe because it prefers to use its cheap, cleaner and abundant domestically produced Shale Gas as an energy source. This trend has boosted trade for dry bulk carriers adding to the tonne-mile equation. It therefore appears that King Coal will remain a strong supporter of the Dry Bulk Markets for years to come.

**China**, the big mainstay of the dry bulk markets, has struggled with GDP growth figures decreasing quarterly from 8.1% to 7.6% to 7.4% before finally rounding off the year at 7.9% for an annual average of 7.8%. However, China's economy in 2013 is expected to grow between 8 and 9% based on the twin assumptions of the continuation of modest easing and prudent monetary policy. The fact that the once-in-a-decade political transition occurred in the middle of a five-year economic plan suggests that there will be no fundamental change in economic policy and economic reforms will continue under the New Leadership.

China's Iron Ore imports were an astonishing 745.5 MMT in 2012 or about 8.7% higher than the 686 MMT in 2011! The December 2012 import figure of 70.9 MMT of iron ore was the highest monthly figure ever! According to various reports, China is expected to import between 780 and 790 MMT of Iron Ore in 2013. This import figure is contingent on import pricing parity versus domestic production and transportation costs. Provisional Chinese steel production for 2012 reached a staggering figure of about 716.5 MMT or about 4.8% higher than the already phenomenal figure of 684 MMT in 2011. According to various reports, China's steel production is expected to grow between 4% and 6% to reach a phenomenal 750 MMT of Steel in 2013. Coal represents about 80% of China's energy requirements. Historically, China was self-sufficient in coal, but that is no longer the case. China imported 126 MMT of coal in 2009, 164 MMT in 2010, 182 MMT in 2011, and a whopping 288.9 MMT in 2012; making it the single largest importer of coal in the world, two years in a row, and displacing Japan from the pole position it had occupied continuously since 1975! Coal imports are expected to grow steadily but are contingent on import pricing parity versus domestic coal production/transportation costs. In a country that currently produces and consumes some 3,800 MMT of Coal per annum, with the figure expected to grow to 4,150 MMT by 2015, even a small change in China's coal imports could have a dramatic impact on the Dry Bulk freight markets.

**The BDI** ended the year at 699 points, 57% lower than its start at 1,624 points. The BDI bottomed out at 647 points, a post Lehman Brothers low, on February 3, 2012. The BDI managed a recovery during the year hitting 1,162 points on July 9, 2012 due to a restocking of iron ore imports into China. It was the international price of iron ore that had fallen to a low of about USD 87 pmt during July 2012, compared to the cost of domestic production around the USD 120 pmt mark, which drove the restocking process in China. This of course led to an

inordinate amount of congestion in the Cape size sector with the September 2012 import figure of 65 MMT of iron ore into China being the second highest monthly figure ever. Another factor supporting the index was the 290 MMT of Coal that China imported during the year from places as far away as the USA and the ton-mile impact of this change from being an exporter to becoming the largest importer. Finally, it was the scrapping of 36 MDWT of dry bulk ships that kept the BDI on life support.

The BDI average for 2012 was 920 points, 41% below the 1,549 points recorded in 2011, and the third lowest average in BDI history! Only the average BDI for 1985 (906 points) and 1986 (715 points) have been lower than what we have experienced in 2012. To give this some perspective, the long term average for the BDI (1985 – 2003) prior to the recent Bull Run was 1,358 points; including the Bull Run period (1985 – 2010) was 2,133 points; and during the Bull Run (2004 – 2010) was 4,265 points.

We had suspected that 2011, and maybe 2012, would not be so kind, with many entities being forced to the wall due to the pressures being exerted on the freight market. We have therefore not been surprised by the spate of financial restructuring and bankruptcies that we have seen during 2012, but will be shocked if this does not escalate during 2013 before normalizing in 2014. Be warned, there is more pain on the horizon.

The Time Charter Equivalent (TCE) earnings of our Fleet during 2012 averaged USD 8,221 per day per ship which was much better than our forecast of USD 7,150. In terms of daily average Operating Expenses (Opex), we almost achieved our target of USD 4,400 per day per ship reaching a figure of USD 4,481 per day per ship.

**Market Segmentation/Benchmarking:** During 2012, the Baltic Handy Size Index (28,000 DWT Index Ship) averaged 516 points derived from the average Time Charter (TC) rate of USD 7,626. Compared to that, our Handies (27,209 DWT, 2.8% smaller than the Index Ship) earned USD 7,981 outperforming the BHSI TC rate by 4.7%! Further, the Baltic Supramax Index (BSI) averaged 728 points derived from the average TC rate of USD 9,462. Compared to that, our Supramaxes earned USD 10,344, outperforming the BSI TC rate by 9.3%!

## THE INDUSTRY OUTLOOK:

Scrapping was robust. 334 ships were removed or scrapped whilst 170 ships were delivered, resulting in a reduction of 164 ships or 5.6%, with the world fleet decreasing from 2,916 ships to 2,752 ships in our sector (10 – 30,000 DWT) during 2012. The continued weakness of the freight market is the main force driving the acceleration of scrapping rates. It also helps that scrap steel prices have remained reasonably robust. It is, however, impossible to escape the conclusion that the increasing age of ships and the depressed levels of the freight markets, will lead to an even greater upswing in scrapping rates in the future.

### **Comparatively weaker supply of new ships is expected for 2013 and 2014:**

**The Cape sector (90,000+ DWT: 1,769 ships of 304 MDWT at the start of 2013):** 303 ships of 54.4 MDWT or 17.9% of the existing DWT are scheduled for delivery up to end of 2016. In this sector, 251/411 ships of 47/74 MDWT or 15.5/24.3% will be over 20/15 years of age by 2016 and likely to be scrapped during 2013 to 2016 should freight rates remain at current levels.

**The Panamax sector (60 – 90,000 DWT: 1,996 ships of 151 MDWT at the start of 2013):** 575 ships of 44.2 MDWT or 29.3% of the existing DWT are to be delivered up to the end of 2016. The saving grace in the Panamax sector is that 386/686 ships of 27/49 MDWT or 17.9/32.5% of the fleet will be over 20/15 years of age by 2016 and would likely be scrapped during 2013 to 2016 should freight rates remain at the current levels, thereby balancing out the fresh supply and restoring freight rates in the near future.

**The Supramax sector (40 – 60,000 DWT: 2,560 ships of 133.5 MDWT at the start of 2013):** 408 ships of 22 MDWT or 16.5% of the existing DWT are scheduled for delivery up to the end of 2016. In this sector, 411/703 ships of 18/32 MDWT or 13.5/24% will be over 20/15 years of age by 2016 and likely to be scrapped during 2013 to 2016, if freight rates remain at their current levels.

**The Handymax sector (30 – 40,000 DWT: 1,415 ships of 48.9 MDWT at the start of 2013):** 337 ships of 11.9 MDWT or 24.3% of the existing DWT are scheduled for delivery up to the end of 2016. In this sector, 361/431 ships of 13/15 MDWT or 26.6/30.7% will be over 20/15 years of age by 2016 and likely to be scrapped during 2013 to 2016 if freight rates remain at current levels for any length of time.

**The Small Handy sector (10 – 30,000 DWT: 2,752 ships of 55.8 MDWT at the start of 2013):** 175 ships of 3.6 MDWT or 6.5% of the existing DWT are scheduled for delivery up to the end of 2016. In our sector, 1,033/1,419 ships of 21/30 MDWT or 37.6/53.8% will be over 20/15 years of age by 2016 and likely to be scrapped during 2013 to 2016 if freight rates remain at the current depressed levels. With this extremely large overhang of very old ships, the supply dynamics appear to be the strongest in the small handy size sector, the sector in which we operate most of our ships, of the Dry Bulk Tramp Freight market.

When reading the above supply side numbers please keep in mind that the Slippage in delivery for 2008 to 2011 averaged 33%. In 2012 it dropped to 29%. It remains to be seen what this figure will look like in 2013, 2014 and 2015 but we will not be surprised to see it fluctuate inversely with the BDI and availability of finance. Please also bear in mind that the scrapping potential in the existing world fleet is enormous especially if ships as young as 15 years of age are sent to the breakers. We have already seen that happen during 2012 and there is every reason to expect that it will continue during 2013 and become more the norm than the exception.

Our **Competitive Position** based on our existing 36 ships plus the 10 ships on order (6 bulk carriers and 4 Cement ships) and the roughly USD 220 million of funds available to buy another 15 to 20 second-hand replacement ships in lieu of the older ships that we have sold, makes us one of the biggest players in this sector of the market. With the ownership structure in this sector being extremely fragmented, we are recognized as an established brand name with clients wanting to do business with us first before they take their custom to any of the other smaller, and potentially weaker, players within the sector.

Additionally, our plan to rejuvenate our fleet with younger, larger, better geared and more economical vessels from the second hand market at, what could likely be, historically low levels will enhance our competitive position compared to our peers, who have probably purchased second hand ships during the past 4 to 5 years at historically high prices.

## THE ISSUES FACING OUR INDUSTRY:

With the Freight Markets hitting all time highs and plunging to two decade lows, most prudent companies that have very little debt on their balance sheets and a lot of cash in their pockets will likely consolidate the industry. This could happen through the judicious purchase of second-hand tonnage or new building ships at historically low prices or via mergers and acquisitions. By whatever means consolidation takes place, it is to be welcomed, as it can only make life a bit better for the remaining participants.

## SAVING ENERGY AND THE ENVIRONMENT – THE FUTURE OF SHIPPING

Fuel efficiency has become a major issue for the Maritime industry, both for preservation of the environment and conservation of fuel, the cost of which is at an all-time high.

Ship builders are actively marketing their vessels as 'eco friendly' and describing them with speed and consumption figures that have previously never been achieved. While many of the following methods have been incorporated into designs using superior technology available today, and achieving great benefits, the figures being bandied about tend to be somewhat inflated and are more realistic when corrections for variables such as calorific value of fuel, design and scantling draft and 'sea margins' are taken into consideration.



Broadly, fuel efficiency of any ship can be improved by:

- A) Reducing the resistance (drag) of the ship, and thereby reducing required propulsive power.
- B) Increasing the mechanical and thermal efficiency of the propulsion and power generating systems on board.
- C) External appendages to harness external energy or recover lost energy.

## **A) Components of Ship's resistance and ways of reducing the same:**

A ship's resistance (drag) is made of the following main components.

- 1. Viscous or frictional forces which act along the surface of the hull.
- 2. Pressure forces which act perpendicular to the surface of the hull.
- 3. Energy dissipation through hydrodynamic forces such as cavitation, eddies, turbulence in flow etc.

### **1) Viscous or frictional resistance:**

As the ship moves in the interface of two different media (air and water) the above mentioned drag forces are created in both.

For most cargo ships, drag forces created in the air are negligible. However for special purpose high speed craft and naval ships etc. air drag plays an important role. This is similar to a car driving on the road; at speeds of 30-40 kmph the air drag on a car is not significant; but at speeds of 100-120 kmph or higher, air drag is significant and has to be taken into consideration in the design.

Viscous or frictional resistance is influenced by the friction between water and the ship's hull. It is related to the total submerged area of the hull and smoothness of the hull. The usual way of reducing viscous resistance is to improve smoothness by means such as stream lining, improved quality of paints, reduction of marine growth etc. Recently new technologies are being tried out, such as non-stick type coatings with lower wetting properties and introducing an air cushion between the hull and water.

For a given submerged surface area and speed, the ideal shape of the hull to reduce frictional resistance would be infinitely long and thin (like a surf board). However this is not practical considering other limitations such as building facilities, port facilities, maneuvering and stability. Hence optimization of the hull shape is necessary to achieve a balance between various conflicting requirements.

### **2) Pressure or wave resistance through water:**

When a ship moves in water, the flow pattern around the ship creates a high pressure zone immediately forward of the ship and another high pressure zone near the aft (or back) end. These high pressure zones give rise to wave patterns at the bow (front) and stern (back). The ship transfers some of its energy to create these wave patterns. This is called the wave resistance and it increases rapidly with an increase in speed.

The normal solution lies in modifying the wave pattern distribution by the shape of the hull, to negate one wave with the other. However, this method limits the vessel to operate within a particular speed range. At speeds outside this range wave resistance increases considerably.

The bulbous bow on high speed ships, such as container ships and passenger ships, where wave resistance is a major component of the total resistance is normally designed with this consideration in mind and is an attempt to optimize the pressure wave pattern around the hull. On the other hand, for slow moving ships such as bulk carriers and tankers the purpose of a bulbous bow is to avoid excessive loss due to eddies.

### **3) Resistance due to eddies, cavitation, turbulence in flow etc.:**

Whenever obstructions are introduced in the smooth flow of water (streamlines are interrupted), eddies are created. All appendages and fittings on the hull (rudder, propeller, stabilizing fins, bilge keels, anodes, etc.) are potential causes for the loss of power through formation of eddies, cavitation and turbulence etc. Similarly any abrupt changes in flow caused by openings in the shell such as sea chests, overboard discharges etc., also



contribute to this type of resistance. Even protruding and rough discontinuities caused by welding deposits at joints of hull plates add to resistance.

These days modern shipyards use new technology to get smooth even welds on the hull surface. Bilge keels are laid along the lines of flow determined by model tests, anodes are being replaced by impressed current systems, and other appendages are designed to avoid break down in flow lines.

## **B) Increasing the mechanical/thermal efficiency of the propulsion/power plant onboard:**

### **1) Increasing the propulsive efficiency:**

The ideal propeller for max efficiency would have the lowest possible revolutions (rpm), the largest possible diameter, the lowest possible pitch, the minimum blade area ratio and the minimum possible number of blades. These features are impractical to implement fully as they conflict with other requirements. The main engine would be much larger if the same power is to be obtained at reduced rpm, and the torsional strength of the shafting would need to be increased. Similarly the draft would have to be increased to accommodate a larger diameter propeller, but at reduced drafts such as in ballast or in partly loaded conditions, the propeller would not be fully immersed. If the number of blades is reduced, or blade areas are minimized the propeller material would be over stressed.

However these days there is a conscious shift in the policy of ship designers to go for larger main engines with reduced rpm, coupled to larger diameter propellers. This trend is seen in all the new 'eco' designs that are being marketed in recent times. These are undoubtedly more energy efficient, under the given specific conditions, but their long term effectiveness under adverse conditions is not yet proven.

### **2) Increasing the thermal and mechanical efficiency of the power plant (main propulsion engine):**

Generally the thermo mechanical efficiency of the Internal Combustion (IC) engines installed onboard is in the region of about 35%. So there is a feeling amongst the designers that scope exists to bring about considerable improvements in improving the thermo mechanical efficiency on the ships. Until late 1970s, Specific Fuel Oil Consumption (SFOC) figures for main propulsion plants used to be about 218-225 g/KW/Hr. This has now been reduced by more than 20%, and the current norm is about 174-180 g/KW/Hr. Several efforts are still being made in this field and new technologies are being developed on a regular basis. These developments can be categorized broadly into following groups:

#### **2.1 Improving combustion in engines:**

Recently engine makers have done a lot of research and the basic design of combustion systems have been modernized and updated on most new models of produced recently. There is some conflict in requirements as Nitrogen Oxide (NOx) emissions have also to be controlled. Most engine makers have balanced their designs to meet Regulatory requirement regarding NOx as well as optimizing the SFOC for the engine. New technologies adopted are

2.1.1 Cam-less electronic control of combustion process: This helps in optimizing the engine performance over a wide range of loads and speeds.

2.1.2 Increasing the efficiency of turbo charger: New designs of turbo chargers with higher loading capabilities and operating at much higher speeds (compared to traditional turbochargers) are being developed to increase the combustion efficiency in the engine.

#### **2.2 Load management devices:**

This consists of equipment to control the load on electrical power generators by optimizing the operation of pumps and other auxiliary equipment. Computer controlled devices are being installed on the ships to monitor the varying loads on pumps/other equipment, and accordingly change their output to meet the exact load requirements. This technology involves the use of electronically controlled load sensors and devices such as frequency changers which will change the rpm of the pumps and thereby the output of the pumps to suit the load. This is useful for ships which operate in different environmental conditions and

have largely varying requirements for cooling, ventilation, lubrication etc. The technology is expensive and so is the equipment to install and maintain, and the benefits are marginal. An engine shaft driven alternator is one such device to boost the fuel efficiency. This device gives an SFOC of about 178-185 g/KW/Hr as compared with medium speed generator engines which drive alternators with SFOC in the range of 200-210g/KW/Hr. (This has already been implemented on our new built vessels where we were involved at the design stage.)

### **2.3 Waste heat recovery systems:**

Recently some new technologies have been promoted which aim to improve the waste heat recovery from the downstream exhaust of the engines and other combustion equipment. Proposal of exhaust gas recirculation, hot water calorifiers operating on incinerator exhaust, improvements in FW generating systems, fuel oil heating systems etc. are all parts of the efforts directed to improving waste heat recovery.

## **C) External aids / devices which will pump in additional energy or recover lost energy:**

Since the fuel crunch began a few years ago, there have been increased efforts to fit such devices on ships, either at NB stage or as retrofits. Such devices can be categorized broadly into two groups. One group will recover the lost energy from the water flow and convert it to useful energy thereby improving the energy efficiency, and the other group will harness energy from external sources and feed it to the ships' propulsion system.

### **1) Devices which recover lost energy from water flow and convert this into useful energy:**

Recently lot of research has been done in this field and several devices have been promoted under this category. They claim fuel savings in the range of 0.5% to 7%. depending upon the complexity of the device and scope of improvement in the initial design. Many of these are patented devices and are expensive due to copy right. Some prominent devices being marketed are as follows:

#### **1.1 Ducts:**

In addition to pushing the water in an aft direction, the propeller of a ship also gives the water a swirling effect due to the effect of the pitch. Hence beyond a certain point increased pitch reduces the propeller efficiency. Ducts are fitted either forward of the propeller such as Mewis duct (Patented), to direct the water flow in a desired way and recover the energy lost by swirl effect of the propeller; or around the propeller in the form of shrouds or nozzles of various designs. These ducts also generate hydrodynamic thrust. At low speeds generally this additional thrust gives considerable advantage, but at high speeds the additional drag created by the duct itself reduces its performance considerably. Fuel efficiency claims range from 3% to 7% generally.

#### **1.2 Fixed or dynamic fins:**

These are attached to the hull in the flow stream forward of the propeller. These also serve the same purpose as the ducts by directing the flow and generating hydrodynamic thrust. Action and effects are somewhat similar to the ducts mounted forward of the propeller.

#### **1.3 Fixed or moving fins mounted on the propeller boss cap:**

These fins recover the energy lost in the vortex cavitation of the propeller and also counter the swirl effect in the flow. These are possible to fit at NB stage easily but can be retrofitted after analysis and minor modifications as needed.

#### **1.4 Contra-rotating propellers:**

In some special purpose ships such as high speed shallow draft small crafts, contra-rotating propellers are mounted on the same shaft to maximize the power absorption with limited diameter of the propeller and use the swirl effect of one propeller to boost the efficiency of the other. But technology involved is very complex and application is restricted to special purpose ships only.

### **1.5 Rudder mounted devices:**

Devices such as bulb on the rudder, split profile (below and above the shaft centerline level) are used to recover the swirl energy from the water flow and produce hydrodynamic thrust. These devices are generally fitted at NB stage only as it would involve redesign of the rudder with possible effect on steering gear capacity.

## **2) Devices which absorb external energy and feed it to ship's propulsion system:**

The technology involved is still in an experimental stage and not implemented on a commercial scale. The benefits claimed are also dependent on external sources from where the energy is absorbed and are not predictable. Under ideal conditions savings in fuel to the extent of 30% have been claimed. It will be some years before this form of energy saving device becomes commercially feasible. The research involves following two alternatives:

### **2.1 Solar panels:**

Solar panels have been mounted on certain ships to absorb solar energy and convert it to electrical energy which is then fed to the ship's power system.

### **2.2 Wind turbines:**

The experiments involved setting up wind turbines, similar to the ones installed on land in wind energy farms. These would convert wind energy into electrical energy which is fed to ship's power grid.

## **3) Sails:**

Installations that have been experimented with are in the form of collapsible sails fitted to the ship which can be rigged up or folded down with hydraulic computer controlled mechanism depending upon the prevailing conditions and ship's requirement. Some experiments have also involved flying wind sails (like giant kites) which are attached to the ship by ropes and transfer the wind energy directly to the ship.

With very few exceptions, most of the measures mentioned above can only be implemented on ships in the design stage, before building. Modern technological advancements and computer generated graphics can accurately calculate wave forms, hull resistance and create the ideal hull form and simulated model tests can fashion the ideal propeller, place suitable ducts and fins.

Draft and trim optimisation is an option available to passenger and container vessels which unlike bulk carrier and tankers are not always loaded to their marks.

Improved paint schemes and sailing at optimized drafts are the few measures that can be adopted on existing vessels. The cost of research and analysis involved in fitting of appendages makes their usage unattractive. Hull form changing can be a very expensive proposition but in the case of large container vessels bulbous bows are being modified, the owners having come to the conclusion that slowing down their vessels is here to stay.

A fuel optimisation method that appeals to most charterers is reduced speed operation. This is very effective if applied correctly. Unfortunately, most main engines have their peak efficiency level at close to the designed Maximum Continuous Rating (MCR) revolutions. While operating below this level results in fuel saving, it also reduces efficiency, increases unwanted emissions and may accelerate wearing out of the machinery. This method of reduction of consumption needs to be applied with proper evaluation of all the affected parameters.

**Operating Costs** of our Company continued to ease in 2012. Most components have decreased from their previous levels, some more than others. The most notable cost reductions include stores, spares and insurance. Crew wages however increased and are expect to increase further in the years to come for us as well as the Industry. Younger ships are naturally less expensive to operate and maintain, and the cost of stores and spares are proportionately less. Most quality operators have taken advantage of the current situation to rejuvenate their fleets by disposing older ships. We expect this trend, of improving our efficiency and saving costs, through fleet rejuvenation, to continue.

The requirement for experienced senior personnel continues to remain a serious issue. The shortage is due to reasonable employment available ashore and in the offshore industry - a much safer environment. Technological advancements on board modern ships both in navigation systems and machinery operations demand highly trained officers which only serves to exacerbate the situation.

**The Protection & Indemnity (“P&I”) insurers**, or ‘P&I Clubs’ as they are known in the industry, had an awakening of sorts by way of increased claims, coming after several low-claims years; both frequency as well as unit value of claims increased in the current year. On the other hand, their premium income was adversely affected due to the “churn effect”, with several shipowners replacing their old vessels with new young & modern ones paying lower rates. The Clubs’ position was further compounded by the fact that the investment income was at best uncertain and almost non-existent. As a result, all Clubs belonging to the International Group of P&I Clubs announced their intention to impose higher premium for the next policy year commencing 20<sup>th</sup> Feb 2013. As reported earlier, the P&I insurance is unique and unavoidable as it provides almost limitless cover with top-quality claims-handling service for any situation that could arise from owning/operating ships. It is therefore extremely important that the P&I Clubs remain financially strong and so the Clubs’ attempts to shore up their finances would be welcome, even if burdensome. The Clubs with which we are associated are financially robust, and as a result we expect our premiums for 2013 to remain stable.

For all the reasons cited above, our average operating costs per day per ship for 2012 was about 2% lower than the previous year; whilst we do not have figures for the industry norm, we expect we would have done better than others based on past experience.

**International Maritime Organization (IMO) conventions** are constantly updated to match demands for enhanced steps to protect the environment. Marine Environment Protection Committee of IMO recently approved major changes to MARPOL (Annex VI) regulations to reduce harmful air emissions from ships. Special sea areas for controlled discharges from ships have been increased. Rule requirements for carriage of certain bulk cargoes have become stricter. The Bulk Cargo Code (BC Code) has been replaced by the new International Maritime Solid Bulk Cargo code (IMSBC code). More countries are insisting on stringent ballast water management practices on board ships. As a result of initiatives from the International Labor Organization (ILO), working and living conditions of crewmembers on board are receiving increased importance. In order to formalize this and ensure uniform compliance, (ILO) has adopted the Maritime Labour Convention 2006 (MLC 2006). A Maritime Labour Certificate (MLC) and a Declaration of Maritime Labour Compliance (DMLC) will be required on board to ensure compliance with the Convention for all ships above 500 tons in international trade. These certificates are to be obtained from the Flag state and their recognized organizations after thorough verification and surveys on board each vessel. The MLC 2006 has attained the required number of member state ratifications in August 2012. All ships will need to meet the compliance requirement and have valid certificate for compliance with MLC convention before 20 August 2013. Company is working closely with the Flag authorities and recognized organizations to have all its vessels certified well before the compliance dead line. Focus on the environment is becoming even more important. It is no longer just fashionable to say we are “Going Green”; organizations world-over are being pushed by their stakeholders to become more environment-conscious, guided by compliance with the newer regulations. The various measures adopted voluntarily by the Company to reduce its Carbon footprint has been explained in our **Sustainability Report**; besides, there are specific IMO Conventions and regulations mandated by individual countries, to control the emission of Sulphur dioxide, Nitrogen oxides, Halons and CFCs from our ships which contribute to Green House Gases. These regulations are expected to become more stringent in the coming years. In addition, certain states in the USA are likely to require ships calling their ports to use shore power which is greener than the power generated on board ships. ‘Bonnet’ technology is another concept, presently available only in certain ports, which can receive the exhaust gas from ships for treatment before discharging into the atmosphere. These measures are still evolving and there will likely be operational problems; besides, these will most likely result in additional expenses for the ship owners/operators. To formalize the Company’s commitment towards preserving and conserving environment and to reduce carbon footprint,

the Company has obtained ISO 14001:2004 certification from Class NK of Japan. The ISO 14001:2004 provides a framework for a holistic and strategic approach to the Company's environmental policy, plans and actions, and will demonstrate that the Company is an environmentally responsible organization. PSL vessels have implemented "Ship Energy Efficiency Management Plan" (SEEMP) required by MARPOL Annex VI regulations from January 2013. Vessels are also fully prepared to implement more stringent garbage disposal regulations required by MAROL Annex V commencing January 2013.

**Maritime Training Center:** As previously reported, the Company set up a full-fledged Maritime Training Center at its Head Office in Bangkok in March 2008. The PSL Training Center includes a state-of-the-art Bridge Navigation Simulator for training of maritime personnel. The Bridge Navigation Simulator recreates the actual bridge on a ship as it enters a major port and provides ideal conditions in which to train Officers in hands-on practices for effective bridge teamwork and competence in ship-handling and navigation. This is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensuring safety of the crew and the ship by preventing accidents, thus also helping to preserve the environment. In the current scenario of a worldwide shortage of trained personnel, and the rapid promotions that is a natural result of such a shortage, this is a major step to provide specialized training that would otherwise have been acquired 'on the job'.

**Maritime Resource Management (MRM):** MRM is a training program for ship's officers, engineers, pilots and shore-based personnel. The aim is to increase knowledge about human capabilities and limitations and to reinforce positive attitudes towards safety and teamwork. MRM is generally accepted to be one of the most efficient means of improving crew cooperation and minimizing the risk of accidents caused by human errors as well as failures in effective teamwork and resource management. The MRM course is authorized and licensed by The Swedish Club, a member of the International Group of P&I Clubs, and one of the few insurers providing Hull as well as P&I insurance covers. Apart from the MRM courses, the PSL Training Center has classrooms, Video-Based Training (VBT) and Computer based training (CBT) for the ship staff. Courses include MRM, Bridge Team Management (BTM), Bridge Team Competency (BTC), Officer Of the Watch (OOW), Chief Mate Course (CMC), Command Course (Command), Shipboard Safety Course (SSC), Maritime Professional Briefing (MPB), Maritime English training (divided into 5 course levels) programs for safety and efficient ship operations of deck and engine departments. The Training Center also conducts lectures on VTS (Vessel Traffic Separation) & SMCP (Standard Marine Communication Phrases) within the BTM and MRM courses, with the aim of developing our officers' communication skills in communicating with a VTS officer using standard maritime phrases in various simulations. The courses are upgraded regularly and provide a solid foundation to the Company's training activities and enable our Officers and Engineers to keep abreast of the latest developments in ship operations.

The PSL Training Center liaises very closely with the Technical Department in order to identify the training needs of officers and crew and special training courses are designed to suit them. In this manner, new training courses were introduced for Engineer officers ("Engine Room Management and Competency Enhancement" - "EMC" for Senior Engineers, and "Engineer on Watch" - "EOW" for Junior Engineers); future plans include courses on "stern tube sealing systems" and "ships' cargo gears with special focus on hydraulic", and "Shipboard Safety for Ratings"(SSR) for crew. The PSL Training Center has certain basic (but important) equipment such as a turbocharger and a purifier for practical training to accompany class-room theoretical courses. These will augment the Bridge Simulator (which is essentially for Deck Officers) and enable the Training Centre to address the requirements of both Deck and Engine officers & crew.

The use of "Electronic Chart Display and Information System" (ECDIS) is becoming mandatory for new ships built from July 2013. Many new vessels are already equipped with ECDIS. For existing vessels, ECDIS will become mandatory from 2018. ECDIS requires special generic training as well as specific training for each manufacturer's equipment. Navigating officers using ECDIS need to be suitably trained and certified before they can use it as a primary means for navigation.



With every other technical advance in navigation, such as radar, AIS and GPS, officers have gained an additional navigational aid. With mandatory ECDIS, on the other hand, a navigational aid will be taken away from them – the paper chart. ECDIS has to work and officers have to know how to work it. Any operational error could have disastrous consequence.

PSL is committed to ensure that navigating officers working on board vessels fitted with ECDIS are fully conversant with the equipment prior joining the vessel. Officers are given generic ECDIS training at approved institutes. They are also required to undergo maker specific familiarization training by the ECDIS manufacturer. Realizing the fact that certification alone does not make an officer fully familiar and confident to use ECDIS, PSL training centre has equipped itself and developed ECDIS training course. After attending approved ECDIS training course, officers are required to undergo further ECDIS familiarization course at our in-house facility.

**The scourge of piracy**, predominantly originating from Somalia, but now spread to the whole of Arabian Sea/Indian Ocean, continues to be a cause for great concern, even though 2012 saw a decline in pirate activity in this region. The entire ocean area from India to Africa and between Gulf of Oman and Madagascar remains a breach area by London war risks insurers.

In most cases, the added costs of protecting vessels and the additional insurance premium is directly or indirectly passed on to cargo interests, but the effect on crew morale is most visibly seen in declining officer and crew availability and a waning interest in a sea going career.

Although the shipping industry has been afflicted by piracy for centuries, it assumed a totally new dimension in recent times ever since the Somalis turned it into a lucrative commercial enterprise. The swashbuckling pirate of the past is tame compared with today's heavily armed criminals scouring the expanse of ocean from Somalia to India for vulnerable vessels to hijack. It is important to note that Piracy is a commercial venture. Pirates are not really interested in the cargo. They just want the ransom money and use the crew as bargaining power. Of course, if the cargo is valuable they get a little more leverage to extract an even bigger booty.

The pirates now possess a number of fishing boats and dhows which are being used as 'mother-ships'. These provide the pirates with a degree of camouflage at sea, but more importantly, allow them to operate at much greater distances from the shore. They can carry greater supplies of fuel, food and water, and these vessels are far more seaworthy than the Somali skiffs designed for fishing in coastal waters and calmer seas.

There were 35 pirate attacks in 2012 in the Somali basin as opposed to 176 in the previous year. 5 of these attacks resulted in successful hijacking as compared with 25 vessels captured last year.

The recent decline in pirate successes is not to be taken lightly. The industry is fearful of possible revamping of the pirates' tactics to counter the protective measures now being employed by most vessels transiting the dangerous areas.

Apart from the Somali pirates and their attacks in the Arabian Sea/Indian Ocean, Nigeria and its offshore oil installations continues to be vulnerable to pirate attacks. Recent months have seen an alarming increase in this region. The primary difference between the two is that Nigeria has an elected Government with clear policies to deter piracy in its waters and that helps localize the menace and also control/handle it.

## JOINT VENTURES:

The status of our joint-venture investments is as follows:

- **Southern LPG Pvt Ltd. (SLPG):** The process of closing down this entity is nearly complete. We have completed the sale of all the major assets in this company with full receipt of sale proceeds and we shall now close this Company in an orderly manner.



- **International Seaports (Haldia) Pvt Ltd:** This is now our only operational investment in Ports in the Haldia Dock Complex (about 22.4% of the total capital) under our port projects investments. This JV continues to operate very well and we have to-date received total dividends of USD 1.34 million, which works out to about 66% of our original Investment made in years 2002-2003. We find strategic value in this investment and hope to increase our shareholding at an opportune time in the future.

## IN CONCLUSION:

**Demand:** The environment for 2013 is going to be extremely challenging. The EU is still in a slow-down phase, while China trying to stimulate its domestic markets and economic traction in the USA is fragile enough for the Federal Reserve to engage in an additional dose of monetary stimulus via QE4. However, with commodity prices expected to stay low, price arbitrage between cheap imports and expensive domestic production would allow China to increase its iron ore and coal imports. The various coal fired port based power plants that are coming on stream strongly indicate that India could be the largest importer of coal in the world, overtaking China with about 250 to 300 MMT annual imports by 2016. As a result, DNB Markets in one of their recent reports have indicated that annual tonne-mile growth for the period 2013 to 2015 would average 11%.

**Supply:** Due to the extremely favourable freight markets in the recent past most ship-owners have kept their older ships operating well beyond their useful economic life. Under normal freight market conditions, approximately 18% of the existing world fleet should have been scrapped. Under the present market conditions, this figure could rise to around 29%, and would only be constrained by the available scrapping capacity in the world.

With respect to the approximately 19.6% by DWT of new ships (135.8 MDWT) scheduled to be delivered to the end of 2016, the financial crisis would subject their delivery to delays that would not be considered normal by any standards. An indication of what we could expect is evident from the slippage figures of 29% in 2012, possibly rising to 30%+ in 2013 and beyond.

The supply side could come into balance with the demand side of the equation in a couple of years time just about when the EU should have got its act together, and we could see another bull run in the freight markets post 2014. We think that 2013 will therefore remain an extremely challenging year when even the most astute and conservative ship-owners' best laid plans will be sorely tested.

**Financing:** Fund raising will be one of, if not, the biggest challenge that ship-owners will have to face during 2013. Shipping banks with their 'easy loans' have assisted ship-owners to purchase too many ships during the bull run. Due to the rapid fall-off in values, these ships must have lost around 70% from their peak values reached in the first half of 2008. Most, if not all, such loans would have breached their loan to value covenants at the minimum. Banks have been calling such loans into default and accelerating the repayment of all outstanding loans. If such ships are also exposed to the spot markets, the banks would be in serious trouble with cash flows being unable to cover interest or principal repayment and the loan to value covenants having been breached. Obviously such owners would not find friendly bankers waiting with easy loans anytime soon.

Financial procrastination by shipping banks which characterized 2009 to 2011 with an "amend, extend and pretend" policy changed partly in 2012. We have already experienced the various financial restructurings and or bankruptcies of large and mainly publicly listed shipping companies during 2011 and 2012. Banks are being forced to bite the bullet and call such loans into default, sell the ships at the best possible price and recoup a part of the loans made to ship-owners. This would stress the balance sheet of the banks and, most likely, make the ship-owner go bust. If such a ship-owner has new ships on order, and has got funding commitment from his banks, all such financial support would evaporate leaving the contract to build the new ships invalid. This in turn would pass the financial stress on to the shoulders of the shipyards and their banks. The shipping industry is seeing its own version of sub-prime toxic waste threatening to engulf ship-owners, shipyards and their banks.

This financial stress in the maritime world has given rise to statements from ship-owners and shipping analysts that the mountain of new ships for delivery between now and the end of 2015 could be just a mirage, as a lot of them may have already been cancelled. However, please keep in mind that Hartland Shipping Services, born via a management buy-out of the HSBC Shipping Services, state in their Points of View that “We have reached a dangerous consensus around 2014 being the year in which supply and demand will balance; and consensus is always wrong. If what we term ‘slippage’ in the order book actually turns out to be significant cancellations then we will reach that point sooner than expected.”

**Concluding Remark:** Considering all the above, we are taking advantage of the opportunities that the Dry Bulk Tramp Freight Markets has thrown our way. We hope to deliver to all our stakeholders the promise of this potential. This will in no small measure be due to the very dedicated and hardworking professionals that make up the office, as well as, the floating staff at PSL.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**



**Mr. Khalid Moinuddin Hashim**  
Managing Director



**Mr. Khushroo Kali Wadia**  
Executive Director

4<sup>th</sup> February 2013

# AUDIT AND CORPORATE GOVERNANCE COMMITTEE REPORT

## TO THE SHAREHOLDERS

The Audit & Corporate Governance Committee of Precious Shipping Public Company Limited consists of 3 independent directors viz., Mr. Suphat Sivasriumphai as Chairman of the Audit & Corporate Governance Committee, Mr. Kamton Sila-On and Associate Professor Pavida Pananond, Ph. D., both, as Audit & Corporate Governance Committee members. Mr. Suphat Sivasriumphai who ended his term on 24<sup>th</sup> August 2012 was re-elected by a resolution of the Board of Directors in the Board of Directors meeting No. 3/2012 held on 6<sup>th</sup> August 2012.

The Audit & Corporate Governance Committee has performed with total responsibility in compliance with the Audit & Corporate Governance Committee Charter approved by the Board of Directors and the requirements of the Securities and Exchange Commission and the Stock Exchange of Thailand, which is summarized as follows:

In the year 2012, meetings of the Audit & Corporate Governance Committee have been held through the year to review consolidated financial statements of the Company and its subsidiaries and meetings with external auditor were also held every quarter for discussions of the Auditor's report, financial statements and recommendations of the relevant accounting standards. The Audit & Corporate Governance Committee is of the opinion that the Company has a proper financial reporting process to disclose its financial information, in which the financial statements are correct, sufficient and credible.

The Audit & Corporate Governance Committee has considered the independence of Internal Audit Department including the chain of command in order to establish the credibility and independence of Internal Audit Department. The Audit & Corporate Governance Committee has also discussed with internal auditors the scope of internal auditing, their responsibilities and functions and approved the internal audit plan for the Internal Audit Department. In the year 2012, Internal Audit Department reviewed the risk assessment and internal control activities of all departments, reviewed the operations of some departments, reviewed conflict of interest transactions and reviewed compliance with regulations and laws relating to the business of the Company such as Public Limited Companies Act, Revenue Code, Thai Vessels Act, Securities and Exchange Act including regulations and notifications of the SET and the SEC. Internal auditors also followed up on the results of the aforesaid review. The results of the review and the recommendations were discussed with the related staff and management and reported to the Audit & Corporate Governance Committee.

The Audit & Corporate Governance Committee is of the opinion that the Company has proper and adequate internal control systems and there are no significant deficiencies.

The Audit & Corporate Governance Committee is of the opinion that the Company has been in compliance with laws and regulations to which the operations of the Company are subjected. Principally, these laws are the Public Limited Companies Act, Revenue Code, Thai Vessels Act, Securities and Exchange Act including regulations and notifications of the SET and the SEC.

Internal Auditors have reviewed the connected transactions according to the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. Tor Chor. 21/2551 Re: Rules on Connected Transactions as amended from time to time including circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The Company has 5 connected transactions of which 4 are classified as type 2 transaction and 1 is classified as type 3 transaction under these notifications. Air ticket expenses, insurance premium expenses, computer purchases and supply of air conditioners including their maintenance expenses for air conditioning system at the main operational office and the condominium apartments

of the Company and its subsidiary are classified as Type 2 which are supporting transactions for core business. Office lease rental is classified as Type 3 which is short term office rental. The details of these transactions have been explained under the topic “**Connected Transactions**” in this annual report. The result of the review has been discussed in the Board of Directors Meeting No. 1/2013 held on 4<sup>th</sup> February 2013. Audit & Corporate Governance Committee and Board of Directors are of the opinion that the aforesaid transactions are fair and for the full benefit of the Company.

During the year 2012, Internal Auditors reviewed the Asset Acquisition and Disposal Transactions of the Company’s subsidiaries, according to the Notification of the Stock Exchange of Thailand (SET) regarding the Disclosure of Information and Other Acts of Listed Companies Concerning the Acquisition and Disposition of Assets 2004 as amended from time to time including Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 Re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets as amended from time to time. The Audit & Corporate Governance Committee was of the opinion that the asset acquisition and disposal transactions of the Company’s subsidiaries were reasonable and for the best benefit of the Company.

Normally, the Audit & Corporate Governance Committee Meeting is held before the Board of Directors’ Meeting so that the minutes of the Audit & Corporate Governance Committee Meeting and discussions with internal auditors and external auditors without management’s presence in such discussions could be sent to the Board of Directors for acknowledgement, discussions and receiving suggestions from the Board.

The members of Audit & Corporate Governance Committee regularly have informal and formal discussions with internal auditors in connection with the results of the various areas of review undertaken by internal auditors. The formal Audit & Corporate Governance Committee Meeting usually takes around 2 hours. In the year 2012, Audit & Corporate Governance Committee held 4 regular meetings (2011: 4 regular meetings) and 1 special meeting (2011: no special meeting). The record of attendance of the members of Audit & Corporate Governance Committee is summarized as follows:

Name	Number of Attendance/ Total Meeting (Times)		
	2012		2011
	Regular Meeting	Special Meeting	Regular Meeting
1. Police Lt. Gen Kiattisak Prabhavat *	-	-	1/1
2. Mr. Suphat Sivasriumphai	4/4	1/1	4/4
3. Mr. Thira Wipuchanin *	-	-	1/1
4. Mr. Kamtorn Sila-On **	4/4	1/1	3/3
5. Associate Professor Pavida Pananond, Ph.D. **	4/4	1/1	3/3

\* Audit & Corporate Governance Committee members who resigned in year 2011.

\*\* Audit & Corporate Governance Committee members appointed in year 2011.

Audit & Corporate Governance Committee Meeting No.1/2013 held on 30<sup>th</sup> January 2013 considered the appointment of Auditors and resolved to propose for shareholders’ approval, the appointment of any one of the following auditors of Ernst & Young Office Limited as the auditor of the Company for the years 2013.

1. Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970). She was the Company’s Auditor from the year 2003 until 2007 and again for the years 2010 to 2012.
2. Mr. Chayapol Suppasdtanon (Certified Public Accountant (Thailand) No. 3972). He has been the Company’s Auditor for the years 2008 and 2009.
3. Ms. Vissuta Jariyathanakorn (Certified Public Accountant (Thailand) No. 3853).

All the above auditors are qualified to conduct the audit and express an opinion on the financial statements of the Company. In the event that any of the above auditors is not available, Ernst & Young Office Limited is authorized to nominate a qualified and competent auditor from Ernst & Young Office Limited to conduct the Audit.

Ernst & Young Office Limited is a reputable independent audit firm, and has shown satisfactory performance according to past records. Ernst & Young Office Limited has been the Auditor of the Company and Thai subsidiaries since 2001.

The meeting also approved to propose for shareholders' approval, the audit fees of an amount not exceeding Baht 1.90 million for the year 2013 (2012 Fees: Baht 1.90 million) plus out-of-Pocket expenses subject to further approval by shareholders.

While arriving at the above decision, Audit & Corporate Governance Committee took due note of the fact that Ms. Sumalee Reewarabandith (Certified Public Accountant (Thailand) No. 3970), auditor of Ernst & Young Office Limited acted as the auditor of all the Thai Subsidiaries and one Foreign Subsidiary for 2012 and is expected to continue in a similar role for 2013 for total proposed Audit Fees of Baht 3.36 million (2012 actual: Baht 3.32 million). Further, the meeting also noted the proposed fees for other services (non-audit related) towards BOI compliance rendered to Thai subsidiaries of an amount not exceeding Baht 0.29 million (2012 actual: Baht 0.20 million) and fees of an amount not exceeding Baht 0.40 million (2012 actual: Baht 0.40 million) for the review (for consolidation purpose) of the accounts of certain foreign subsidiaries.

**For and on behalf of the Audit & Corporate Governance Committee of  
Precious Shipping Public Company Limited**



**Mr. Suphat Sivasriamphai**

Chairman of the Audit & Corporate Governance Committee

4<sup>th</sup> February 2013

# CORPORATE GOVERNANCE REPORT

## DEFINITION

Corporate Governance is a set of structure and process of relationships between Company's management, its board and its shareholders to enhance its competitiveness towards business prosperity and long-term shareholder value taking into consideration the interests of other stakeholders.

The above definition is as recommended by the SEC and the Company has endeavored to follow the same completely in letter and spirit.

Precious Shipping Public Company Limited ("The Company") recognizes that Good Corporate Governance is important and necessary for sustainable growth in business and long term shareholder value, and accordingly, the Board has set up a Corporate Governance Policy Manual, Business Ethics and Code of Conduct Manual which have been disclosed on the Company's website under the subject of **"Corporate Governance"**.

The Company has won the following awards including awards for Good Corporate Governance in the past few years:

- Classified as one of the Companies with "Excellent" Corporate Governance for 3 consecutive years 2010, 2011 and 2012, by Thailand's National CG Committee.
- Classified as one of the Companies as "Excellent and should be a role model" and "Excellent" for conducting Annual General Meetings in 2012 and 2011, respectively, by Thai Investors Association.
- Mr. Khalid Hashim, Managing Director, was awarded the Seatrade Lifetime Achievement Award at the Seatrade Asia Awards 2012.
- Adjudged as the Best Ship Operator in Asia at the Lloyd's List Asia Awards 2012.
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2012.
- Nominated as a finalist for "The Bulk Ship Operator of the Year Award" at the IBJ ('International Bulk Journal') Awards 2012.
- In 2010, the Company was selected to present information about Corporate Social Responsibility of the Company for CSR Awards 2010 by the Stock Exchange of Thailand.
- Adjudged as the Best Managed Company in Thailand in the medium market cap sector and one of the Best in Investor Relations in the Asia's Best Managed Companies Poll conducted by "FinanceAsia", the results of which were published in April 2010.
- Nominated as a finalist for "The Bulk Operator Award" at the Seatrade Asia Awards 2010.
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Shareholders' Rights and Equitable Treatment, Investor Relations and also Best Investor Relations Officer (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll 2010 conducted by "ASIAMONEY".
- In 2009, Mr. Khalid Hashim, Managing Director, was adjudged the Best CEO among all companies in the small and medium market cap sector by the Thai Securities Analysts Association (SAA).
- Adjudged as the Best Company in Thailand for Overall Corporate Governance, Disclosure and Transparency, Investor Relations and Investor Relations Officers (Mr. Khalid Hashim, Managing Director) in the Corporate Governance Poll conducted by "ASIAMONEY", the results of which were published in ASIAMONEY's January 2010 issue.



- Ranked as one of the Top 3 Companies with the highest Corporate Governance by “CLSAASIA - PACIFIC MARKETS” in their Thailand Corporate Governance Survey Report of 3<sup>rd</sup> February 2009.
- Ranked in 2007 by “The Asset” Magazine of Hong Kong as the Best Company in Thailand for Corporate Governance in the annual list of the Best Governed 60 Companies in Asia.
- Conferred the “Best Corporate Governance Report” and “Best Performance” Awards by the SET at the “SET AWARDS 2006”.

**The Company’s implementation of Good Corporate Governance Principles is outlined in 5 sections hereunder:**

## **1. RIGHTS OF SHAREHOLDERS**

The Company recognizes the rights of shareholders in accordance with good corporate governance guidelines and has conducted its affairs with a view to protecting shareholders’ rights and also encouraging shareholders to exercise their rights. The policy for maintaining rights of shareholders is part of the Company’s Corporate Governance Policy Manual which is disclosed on the Company’s website.

The Company is responsible to the shareholders in terms of information disclosure, accounting methods, internal information usage and conflict of interests. The Board of Directors and Management are expected to be honest and any decision must be based on honesty and fairness to both major and minor shareholders, and for the collective benefit of all. Some of the policies and procedures followed to protect the Rights of the Company’s shareholders are as follows:

### **1.1 Appointment of Board members**

The Company has continuously improved the requirement of documents required for the appointment of each Board member individually to give additional information in the nominees’/existing Directors’ profile in the Company’s Annual Report and also to present to the Company’s shareholders in the AGM. The aforesaid information is provided so that the Company’s shareholders can get correct and complete information, which is relevant and required for their appointment, and include the following:

- Nominee’s/Director’s profile: Name, position, age, education, relevant knowledge, occupation, working experience and illegal acts (if any).
- Nominee’s/Director’s positions in any materially connected business.
- Nomination procedures (in case of the directors who retire by rotation).
- Directors’ previous performance as director in terms of meeting attendance.

### **1.2 Consideration of the policy on Directors’ remuneration**

The Company follows the policy of obtaining the approval of the policy on Directors’ remuneration from the shareholders in the AGM and has also disclosed guidelines/procedures for determining Directors’ remuneration in 5.6 hereunder.

### **1.3 Appointment of auditors**

The Company follows the policy of obtaining the approval of appointment of auditors from the shareholders in the AGM and has improved the information disclosure for the correctness and completeness of the information required for the decision on the appointment of auditors. The information provided in the AGM includes details as follows:

- Auditor’s firm.
- Auditor’s name.

- Auditor's remuneration for approval including separate disclosure for audit and non-audit related remuneration.
- Auditor's remuneration for the previous year.
- Relationship with the Company such as being the Company's advisor.
- Number of years as the Company's auditor (in case of reappointment of the present auditor).
- Auditor's performance.
- The reasons for changing the Auditor (in case the Company appoints a new auditor).

#### **1.4 Consideration of the dividend policy**

The Company obtained the approval of the new dividend policy in the shareholders' meeting in year 2004 and will continue to obtain such approvals in case of any changes in future.

#### **1.5 Consideration of the share repurchase plan**

The Company obtained the approval for the share repurchase plan from the shareholders in the shareholders' meeting in the year 2003, authorizing the Board of Directors to repurchase the Company's shares in accordance with SET/SEC regulations and provided the correct and complete information required for their decision.

#### **1.6 Shareholders' Meetings**

The Company has followed the recommended practices of SET/SEC for holding shareholders' meeting as follows:

- For the Annual General Meeting of shareholders (AGM) of 2012, the Company provided an opportunity to the shareholders to propose agenda items for the AGM and opportunity to the shareholders to nominate suitable candidates to be a member of the Board of Directors of the Company. This practice is continued for AGM 2013 as well. In practice, shareholders with a combined holding of at least 2,000,000 shares could propose agenda items or nominate qualified Directors during 27 September 2012 until 31 December 2012, which exceeds the privileges provided by law to shareholders. The Company set up the policy and communication channels through the website and announcement through the SET, based on which, a shareholder or a group of shareholders could propose an agenda item and nominate candidates to be Director for consideration in the AGM.
- Providing a complete and correct notice with full information to call shareholders' meeting is the normal policy of the Company. The notice includes the objective and reasons for each agenda item apart from the Board of Directors' comment/opinion, which has always been included. It is made certain that the Company does not amend the agenda of the shareholders' meeting without giving notice to shareholders.
- For AGM 2012, the Company disclosed the AGM schedule and the AGM Agenda through the SET on 3<sup>rd</sup> February 2012 (52 days before the AGM date) for shareholders to plan their schedule for the meeting.
- For AGM 2012, the Company disclosed the notice of shareholders' AGM on the Company's website on 22<sup>nd</sup> February 2012 (32 days before the AGM date) The Company also assigned the Thailand Securities Depository Co., Ltd. which is the Company's Registrar to send the AGM notice to shareholders on 29<sup>th</sup> February 2012 (26 days in advance of the AGM).
- The Company publishes the notice of shareholders' meeting in both Thai and English language newspapers for three consecutive days and at least 14 days prior to shareholders' meeting.
- The Company provides full opportunity for shareholders to participate in the meetings and encourages the shareholders to ask relevant questions which are answered by Management and/or related persons.

- The Company prepares minutes of shareholders' meetings, which are clear and complete and include the names of Board members' who attended the meeting. The minutes also include a correct and complete record of questions/answers, voting method, vote counting procedure and voting results.
- The Company has always followed the policy of obtaining shareholders' approval for any major event and in case of any serious situation that affected the Company's operations and provided correct and complete information required for their decision. An example of this was the acquisition of 15 ships during the year 2004, the signing of contracts for 12 new buildings during the year 2007 and 3 new buildings during the year 2008, for which, the Company also appointed an Independent Financial Advisor to advise the shareholders in all three cases.
- The Company follows the policy of regularly reviewing the outstanding unpaid dividends and tries to contact each shareholder who may have, for some reason, not received the dividends. Thereafter, the Company helps shareholders in terms of reminding and advising them on the required procedures to collect the dividends.

During the year 2012, the Company held one shareholders' meeting which was the Annual General Meeting (AGM), on 26<sup>th</sup> March 2012 at Amari Atrium Hotel. All Board members (except one: Ms. Nishita Shah) attended the AGM of 2012 which also included the Chairman of the Board of Directors, the Chairmen of all the sub-committees, all Audit & Corporate Governance Committee Members and Independent Directors. The Auditors also attended the AGM to answer any questions raised by shareholders in respect of the accounts or the conduct of the Audit. The Chairman of the meeting explained the voting procedures to shareholders when the meeting was started and provided equal opportunity to all shareholders to examine the Company's operations, to ask questions and express their opinions and advice, and ensured that all items and resolutions including questions and answers were properly recorded in the minutes of the meeting. Thereafter, the minutes of shareholders' meetings were also sent to the SET and also disclosed on the website of the Company, including a video recording of the proceedings, under the subject of "**Investor Relations**" within 14 days after the meetings.

## 2. EQUITABLE TREATMENT OF SHAREHOLDERS

The Company ensures the equitable treatment of shareholders in terms of calling and holding shareholders meetings and for protecting the Rights of Shareholders for other matters by taking the following steps:

- Ascertaining that the date, time, venue of the meeting is convenient to attend.
- Offering one-share-one-vote.
- Facilitate proxy voting: clearly specifying the documents required to give proxy and by sending out the Notice to the extent possible under the regulations, to the Company's shareholders at least 21 days prior to the meeting date. For shareholders who are unable to attend in each meeting, the Company has designated the Chairman and/or Independent Director to attend and to vote on their behalf in each meeting. Full details for this purpose are provided in the Notice of shareholders' meetings. Moreover, the Notice, including Proxy (Form B.), was disclosed on the Company's website to facilitate its download by shareholders.
- Registration period is commenced at least 1 hour in advance to keep adequate time for completion of registration.
- Providing ballot papers for each agenda item.
- Arranging barcode system for registration and vote counting for shareholders' convenience and accuracy of the vote-count.
- Providing an opportunity to shareholders to propose agenda items and to nominate candidates to be Director in advance for the Annual General Meeting of Shareholders (AGM) through various channels including the Company's website.

- Providing an opportunity for shareholders to elect Director by voting on the given ballot papers for each of the Directors separately.
- Not adding any new agenda item without notice to shareholders in advance.
- Directors disclosing their interests and those of their related parties to the Board.
- Directors reporting their ownership of Company's shares to the Board regularly.
- Directors and Executives disclose and report their conflict of interests, including dealings with their relatives, if any, to the Company for the Company's use in complying with the regulation about connected transactions. Such report on interest is also useful in monitoring their adherence to their duties, by the following practices;
  - A new director/executive submits the Form "Report on Conflict of Interest Transaction" within 30 days after appointment.
  - Thereafter when there is a change, director/executive submits the updated Form "Report on Conflict of Interest Transaction" immediately or no later than 7 working days from the transaction date.
  - The Company Secretary submits a copy of report on interest to the Chairman of the Board of Directors and the Chairman of Audit & Corporate Governance Committee within seven working days from the date on which the Company has received such a report.
- The Board of Directors has established a guideline to prohibit a director/executive, who has a conflict of interest on the issue, to participate in the decision-making process. Normally a director/executive, who has a conflict of interest on an issue, will leave from the meeting and join back once the issue has been discussed and a decision is made.
- Providing detailed explanation of related-party transactions characterizing names, relationship, policy, and value of each transaction as explained under the **"Connected Transactions"** section of this Annual Report. No non-compliance cases involving related-party transactions have been detected.
- Following an appropriate policy and laying down procedures for monitoring the use of insider information as explained under the **"Insider Trading Controls"** section of this Annual Report. No cases of insider trading involving the Directors and/or the Management have been detected.

### 3. ROLE OF STAKEHOLDERS

The Company recognizes the importance of all stakeholder groups whether it is the internal stakeholders such as shareholders, employees and management of the Company and subsidiaries or external stakeholders such as creditors, suppliers, customers, communities, government agencies and other related organizations. The Company is aware that the support from each stakeholder would help establish the Company's competitive advantages and profitability, which would contribute greatly to the Company's long term success and prosperity. The Company has also amended the Company's website to include under the subject of "Stakeholder Activities", the Policy and Code of Conduct towards stakeholders in Business Ethics and Code of Conduct Manual and included therein a way whereby the website can be used as one of the intended channels for any stakeholder to express his/her opinion and contact the Board of Directors in case they wish to contact the Board of Directors directly without going through the Management. The Board will treat such information seriously and will maintain utmost confidentiality. If the complaints are not unfounded, the Board would take all remedial action that may be necessary.

**Management:** The Company recognizes that Management is one of the key success factors for the Company's operations and accordingly, Management remuneration is appropriately structured and comparable with the Industry norms and other equivalent listed companies in Thailand. The Management is also allowed to work independently without interference as defined in their duties and responsibilities, which are approved by the Board of Directors.

**Employees:** The Company recognizes that employees are one more key success factor for the Company's operations. The Company provides equal opportunities in employment, job security, and career advancement, as well as adhering to other good principles related to employees and employment. The Company also ensures that employees are adequately knowledgeable and skillful to perform their jobs for the Company's business, and understand relevant code of conduct and practice and are encouraged to gain knowledge and ability and keep them updated following Industry trends. The subject of safety and occupational health of all seafarers serving onboard the Company's ships has been explained under the subject of "**Corporate Social Responsibility (CSR) Statement**" of this Annual Report.

The Company provides remuneration to office employees as salary, bonus, and other benefits, like Provident Fund on a voluntary basis, although the same is not required by law. Remuneration is based on their performance, roles and duties and incentives/increments/bonuses are also based on financial status/ performance and future plans of the Company. As a long-term incentive, the Company does not have an ESOP plan in place since the Company feels that to a large extent, the share price of the Company depends on a number of factors beyond the employees' direct control like the state of the International Freight Markets and therefore, the Company's share price may not adequately reflect the better performance of the employees. Therefore, the Company has implemented a profit sharing scheme, which ensures that the employees are paid bonus annually based on the performance of the Company against specified quantitative targets, which are laid down annually in advance.

The Company provides in-house and external training for officers of the Company both at Head Office as well as on the Ships. The costs of such training are borne by the Company. Moreover, the Company allows special leave and flexible working hours for employees who are undergoing longer term professional or degree courses. Moreover, the Company supports good relationship between all employees including the Management.

**Brokers:** The Company recognizes that ship-brokers with whom the Company regularly deals with for obtaining business for Company's ships are one of the key success factors. Accordingly, terms are negotiated with a view to ensuring fairness and in keeping with industry norms so as to ensure a long term working relationship.

**Creditors:** The Company recognizes Financial Creditors as one more important success factor who provide funds which are particularly required for the Company's highly capital intensive business. The Company complies with all terms in borrowings including compliance with the objectives of using the borrowed funds, repayment, collateral, and other conditions as may be agreed.

**Suppliers:** The Company recognizes the importance of satisfied Suppliers and the Company always ensures that terms and conditions for suppliers are based on industry norms and practices and thereafter, agreed terms and conditions are strictly followed by the Company.

**Customers:** The Company recognizes that the Customers are the key success factors for the Company's operations. The Company always protects customers' interests, is attentive and ultimately responsible for the needs of the customers with regard to service, and in setting and maintaining steady standards of service. The customers' confidential information is used exclusively for concerned business, without revealing it unless required by laws, regulations, or with consent from the information owners, including issues related to marketing, market power exercises, price setting, and details of services, quality and safety.

**Competitors:** The Company acts within the rules of fair trade, not destroying trade competitors' reputations with false allegations against their companies without truth, nor does the Company access competitors' confidential information or use dishonest or inappropriate means for any purpose.

**Social Responsibility to the Community:** The Company recognizes its responsibility to the Community and is often involved in supporting community activities and being attentive to the consequences of the Company's conduct that affect the people more than what the laws require, including making efforts to absorb social accountability. The Company has provided a separate detailed report under the subject of "**Corporate Social Responsibility (CSR) Statement**" of this Annual Report.



**Regulators:** Apart from the various regulations which the Company's ships are subjected to and explained hereunder in this Report, on a corporate level, the Company recognizes that Government is a regulator who is in control of the Company's operations in respect of the fairness and transparency of trading. The Company recognizes the significance of compliance with related laws and regulations and has included its review of compliance as one of the duties of the Internal Audit Department headed by a qualified Internal Auditor. Internal Auditors provide an annual compliance review report of related laws and regulation and directly report to the Audit & Corporate Governance Committee as explained under the "**Audit & Corporate Governance Committee Report**" of this Annual Report.

**Environment:** The Company recognizes that shipping operations if conducted irresponsibly may affect the environment, particularly in terms of air and/ or water pollution.

For the Environmental Protection Policy, the Company is committed to the protection and conservation of the environment and ranks environmental considerations equally with commercial and operational factors in managing its operations and implements this policy. The Company has provided a separate detailed report under the subject of "**Sustainability Report**" of this Annual Report detailing the steps taken by the Company and its compliance with various regulations/norms.

**Respect for International Human Rights Principles:** The Company requires that all of its directors, the management and staff strictly respect International human rights principles as part of the operations and the Company does not tolerate any violations thereof.

**Ethics for Intellectual Property Rights:** The Company requires that all of its directors, the management and staff respect the intellectual property rights of others with care and caution.

**Policy on preventing corruption and offering a bribe:** The Company has guidelines for preventing corruption and offering a bribe as follows:

- Giving and receiving benefits that could improperly influence decision making should be conducted correctly, honestly, and in ways that are certain not to cause condemnation or loss of reputation. Gifts received by Directors are generally retained within the Company or distributed within office staff.
- Procurement is to be conducted according to the Company's guidelines and should be fair to all involved. The procurement's decisions are to be made on the basis of reasonable prices, quality, and service, and should stand scrutiny if an investigation occurs.
- Transaction with government must not be such as to persuade the government or government officials to do anything wrong or inappropriate. Mutual acknowledgement and building relations, within the proper bounds and normal practices, such as offering congratulatory messages and flowers on public occasions is acceptable.

## 4. DISCLOSURE AND TRANSPARENCY

The Company has tightened procedures to take care of important information to be disclosed, including both financial and non-financial statements and Reports. The information is disclosed correctly, accurately, on a timely basis and transparently through the proper channels that users could fairly and trustfully access.

### 4.1 Board of Directors' Report

The Board of Directors is responsible for the Company and its subsidiaries' financial statements and financial information presented in this Annual Report. The Report on the Board of Directors' Responsibilities for Financial Statements is presented along with the Report of Independent Auditor and Audited Financial Statements in this Annual Report.



## 4.2 Directors and Management Remuneration

The Board of Directors appointed the Remuneration Committee in its meeting held on 15<sup>th</sup> November 2007 in order to oversee the remuneration of Directors and Management. The proposal of the Directors' Remuneration and the recommendations and opinion of the Board of Directors regarding the Directors' Remuneration would be presented for approval in shareholders' meeting. The details of Remuneration Committee such as members, qualification, duties, responsibilities and criteria to determine remuneration are disclosed on the website of the Company and under the subject **"Management Structure"** of this Annual Report.

In the years 2012 and 2011, the Company paid the Directors' Remuneration, as a fixed annual amount, which was approved in Shareholders' Meeting as follows:

(In million Baht)

Name of Director	Position	Amount					
		2012			2011		
		Board of Directors	Audit & Corporate Governance Committee	Total	Board of Directors	Audit & Corporate Governance Committee	Total
1 Admiral Dr. Amnad Chandanamattha *	Chairman of the Board of Directors, Independent Director	-		-	0.30		0.30
2 Mr. Thira Wipuchanin***	Chairman of the Board of Directors, Independent Director	1.20		1.20	1.04	0.05	1.09
3 Mr. Khalid Moinuddin Hashim	Managing Director	0.55		0.55	0.55		0.55
4 Mr. Munir Moinuddin Hashim	Executive Director	0.55		0.55	0.55		0.55
5 Mr. Khushroo Kali Wadia	Executive Director	0.55		0.55	0.55		0.55
6 Mr. Jaipal Mansukhani ****	Director	0.55		0.55	0.55		0.55
7 Police Lt.Gen. Kiattisak Prabhavat *	Independent Director	-		-	0.14	0.10	0.24
8 Mr. Chira Panupong *	Independent Director	-		-	0.14		0.14
9 Mr. Suphat Sivasriamphai	Independent Director	0.55	0.40	0.95	0.55	0.35	0.90
10 Ms. Nishita Shah	Director	0.55		0.55	0.55		0.55
11 Mr. Kirit Shah	Director	0.55		0.55	0.55		0.55
12 Mr. Peter Feddersen *	Independent Director	-		-	0.14		0.14
13 Mr. Chaipatr Srivisarvacha **	Independent Director	0.55		0.55	0.41		0.41
14 Mr. Kamtorn Sila-On **	Independent Director	0.55	0.20	0.75	0.41	0.15	0.56
15 Associate Professor Pavida Pananond, Ph. D.**	Independent Director	0.55	0.20	0.75	0.41	0.15	0.56
16 Mr. Ishaan Shah **	Director	0.55		0.55	0.41		0.41
<b>Total</b>		<b>7.25</b>	<b>0.80</b>	<b>8.05</b>	<b>7.25</b>	<b>0.80</b>	<b>8.05</b>

\* Directors who resigned in year 2011 with effect from 14 March 2011 to comply with the age limit prescribed in the CG Policy.

\*\* New Directors who were appointed in year 2011 to replace the Directors who resigned.

\*\*\* Appointed as Chairman of the Board of Directors with effect from 14 March 2011.

\*\*\*\* Employed in an executive position as a full-time employee in the Company's subsidiary.

The remuneration of the Executive Directors and Senior Management included their salary, bonus (which was paid during the year but the amount is mainly based on the Company's performance in the last 3 years), and other remuneration (income tax and house rental). During the years 2012 and 2011, the Company (and subsidiary) paid the remuneration to Executive Directors and Senior Management, totaling 14 persons (2011: 14 persons) of Baht 106.58 million and Baht 134.42 million, respectively.

The following 3 directors have been appointed by the Board of Directors as the Executive Directors of the Company and constitute the Executive Board of Directors as of 31 December 2012.

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Munir Moinuddin Hashim	Director (Commercial)
3. Mr. Khushroo Kali Wadia	Director (Finance)

Senior Management of the Company and subsidiary as of 31 December 2012 comprises of the following:

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Munir Moinuddin Hashim	Director (Commercial)
3. Mr. Khushroo Kali Wadia	Director (Finance)
4. Mr. Jaipal Mansukhani	Director of the Company (full time employed in the Company's subsidiary)
5. Mr. Shrilal Gopinathan	Vice President (Commercial)
6. Mr. Koka Venkataramana Sudhakar	Vice President (Fleet Management)
7. Mr. Kodakara Veetil Murali Menon	Vice President (Technical)
8. Mr. Neelakantan Vasudevan	Vice President (Risk Management)
9. Mr. Stephen Korah	Vice President (International Safety Management)
10. Mr. Kamal Kumar Dua	Vice President (Information Technology)
11. Mr. Nishikant Govind Desai	Vice President (Projects)
12. Ms. Somprathana Thepnapaplern	Assistant Vice President (Finance & Accounts) & Company Secretary
13. Mr. Kiran Kesarinath Vaidya	Senior Manager (Accounts & MIS)
14. Mr. Yingyong Kanghae	Senior Manager - Group Accounts

The comparison of remuneration of the Chairman, Directors, the Chairman of Audit & Corporate Governance Committee, Audit & Corporate Governance Committee Member and Management between the Company and other listed companies and listed companies in the transportation and logistics sector and listed companies in the services sector is as follows:

(In Thousand Baht/Person/Year)

Description	* PSL		** Other Listed Companies								
			Transportation & Logistics			All Listed Companies which revenue 1,000 - <5,000 MB.			All Listed Companies		
	2012	2011	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max
Chairman of the BOD	1,200.00	1,200.00	1,048.94	20.00	3,120.00	686.75	20.00	5,050.00	1,044.86	20.00	10,917.03
Executive Directors	550.00	550.00	749.46	25.00	1,970.15	392.86	20.00	2,000.00	546.07	15.00	6,768.00
Non-Executive Directors	550.00	550.00	778.09	27.00	2,748.84	682.59	18.18	10,958.33	799.87	4.32	10,958.33
Management	7,612.86	9,601.43	3,613.64	829.36	9,601.43	3,629.36	104.13	42,161.43	4,156.46	5.32	42,161.43
Chairman of Audit & CG Committee ***	400.00	400.00	173.64	30.00	300.00	184.53	20.00	576.00	255.48	20.00	5,400.00
Audit & CG Committee members ***	200.00	200.00	227.19	30.00	467.36	N.A.	N.A.	N.A.	194.41	9.67	2,400.00

\* PSL's figures are actuals of respective years.

\*\* From SET's Remuneration Report for the year 2011.

\*\*\* Additional Remuneration as Chairman of Audit & CG Committee/Audit & CG Committee Member.

N.A. Not available since not reported

(In Thousand Baht/Person/Year)

Description	* PSL		** Service Sector							
			Mean		Median		Min		Max	
	2012	2011	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1,200.00	1,200.00	1,064.05	2,099.08	1,100.00	1,400.00	197.50	268.30	2,178.00	8,497.00
Executive Directors	550.00	550.00	484.46	1,016.01	310.00	589.00	134.00	169.40	1,310.00	3,837.00
Non-Executive Directors	550.00	550.00	512.59	991.08	335.00	612.00	134.00	169.40	1,424.80	3,951.80
Management	7,612.86	9,601.43	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	400.00	400.00	544.06	3,075.23	472.50	1,467.00	55.00	335.00	1,570.00	7,889.00
Audit & CG Committee members ***	200.00	200.00	393.95	3,270.70	286.63	3,163.38	40.00	738.50	1,330.00	6,385.00

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2012.

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

(In Thousand Baht/Person/Year)

Description	* PSL		** All Listed Companies which revenue 1,001 - 5,000 MB.							
			Mean		Median		Min		Max	
	2012	2011	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1,200.00	1,200.00	845.75	1,293.09	602.00	893.71	215.00	245.00	2,997.33	5,197.33
Executive Directors	550.00	550.00	392.29	663.69	338.00	534.67	155.00	175.00	1,020.00	1,920.00
Non-Executive Directors	550.00	550.00	415.51	705.09	345.00	545.00	155.00	175.00	1,319.80	2,719.80
Management	7,612.86	9,601.43	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	400.00	400.00	451.33	631.33	460.00	660.00	51.40	171.40	945.20	1,165.20
Audit & CG Committee members ***	200.00	200.00	333.93	488.93	315.00	480.00	55.00	155.00	858.60	1,058.60

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2012.

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

(In Thousand Baht/Person/Year)

Description	* PSL		** All Listed Companies							
			Mean		Median		Min		Max	
	2012	2011	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus	Retainer & Attendance	Retainer, Attendance & Bonus
Chairman of the BOD	1,200.00	1,200.00	1,170.09	2,205.12	656.80	1,099.02	117.50	147.50	8,730.00	15,930.00
Executive Directors	550.00	550.00	554.75	1,346.34	385.00	680.62	61.90	81.90	4,050.00	9,750.00
Non-Executive Directors	550.00	550.00	579.90	1,249.78	435.00	714.00	66.90	86.90	4,050.00	8,850.00
Management	7,612.86	9,601.43	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Chairman of Audit & CG Committee ***	400.00	400.00	507.52	1,513.46	485.00	705.00	36.40	86.40	1,829.50	8,148.50
Audit & CG Committee members ***	200.00	200.00	376.15	1,245.96	301.50	484.00	40.00	90.00	1,830.00	6,885.00

\* PSL's figures are actuals of respective years.

\*\* From IOD's Thai Directors Compensation Survey 2012.

\*\*\* Additional Remuneration as Chairman of Audit &amp; CG Committee/Audit &amp; CG Committee Member.

N.A. Not available since not reported.

### 4.3 Relations with investors

The Board of Directors recognizes the importance of accurate, complete and transparent disclosure of financial information and general information, which may affect the Company's share price. The Company provides the information through the channel of the SET, the Company's website and through regular newsletters and communications from the Managing Director. While the Company undertakes investor relations at the top management level, the Company has also designated persons as the contact points in the Company to service investors, shareholders, analysts and public as under:

Mr. Khalid Moinuddin Hashim	Managing Director (voted "Best Investor Relations Officer" in Thailand in the Corporate Governance Poll in December 2010 by "ASIAMONEY") Telephone 66 2696 8801, Email: kh@preciousshipping.com
Mr. Khushroo Kali Wadia	Executive Director Telephone 66 2696 8836, Email: kw@preciousshipping.com
Khun Somprathana Thepnapaplern	AVP (Finance & Accounts) and Company Secretary Telephone 66 2696 8856, Email: som@preciousshipping.com

The Company has joined many events for press/analysts briefings, which are attended personally by the Managing Director. Some of the major events in which the Company participated in the last three years are enumerated herein as under:

Year / Times	Analyst Meetings	Investor Meetings	Presentations Road shows	Press & TV Interview	Total
2012	50	35	12	8	105
2011	38	33	13	2	86
2010	46	40	17	1	104

## 5. RESPONSIBILITIES OF THE BOARD

### 5.1 Board Structure

The number of members on the Board of Directors is commensurate with the size and complexity of the Company's business. Currently, there are 12 Directors on the Board of Directors of the Company which consists of 3 Executive Directors and 1 Director in an executive position in the Company's subsidiary (as full-time employees of the Company/Subsidiary), 3 Non-Executive Directors and 5 Independent Directors (more than one-third of Board of Directors). The Audit & Corporate Governance Committee and Nomination Committee comprises entirely of Independent Directors.

#### Definition

##### Executive Director:

An Executive Director is a Director who is involved in the Management of the Company on a full-time basis and receives regular monthly remuneration from the Company in the form of salary or its equivalent.

##### Independent Director:

The Independent Directors are independent from the Management and have no business or activities with the Company and must not be involved in the day-to-day management of the Company or an affiliated company which may compromise the Interests of the Company and/or the Shareholders.

The qualifications of Independent Director of the Company comply with the rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand.

### **Qualifications of Independent Directors of the Company:**

They must not hold shares exceeding 1 percent each, including shares held by a related person, of paid-up capital of the Company or of an affiliated, associated or a related company.

They must not be involved in the day-to-day management of the Company or an affiliated company, an associated company or a related company, or with the major shareholders of the Company.

They must not have any related business pursuant to the regulations of the Securities and Exchange Commission and also must be free of any present, direct or indirect, financial or other interest in the management and business of the Company, its subsidiaries, associated companies, or its major shareholders.

They must not be a blood relative or legal relative of any Executive Director, executive officer, major shareholder or significantly influential person in/of the Company.

They must not be acting as a nominee or representative of any director, major shareholder or shareholders, who are a relative of any major shareholders of the Company.

They must be able to carry out their duties, exercise their judgment, and report the committee's performances, which are assigned by the Board of Directors without being influenced by Executive Directors or major shareholders of the Company, including related persons or relatives.

### **Definition of Related Persons**

Related persons shall include persons who are involved in any kind of benefits or are related to the Company's business to a significant amount, such as suppliers, customers, or creditors. This kind of connection may affect the Independent Directors in carrying out their duties independently or conveniently.

### **Independent Director's Roles and Duties**

Independent Directors should have access to adequate financial and other business information for them to perform their duties effectively.

They should regularly attend every board meeting, including committee meetings, and raise questions to ensure the interests of Company's shareholders' and the protection of rights of other stakeholders', and that the Company complies with best practices.

Independent Directors should possess abilities and display willingness to learn the Company's businesses, and express their views independently, as well as dedicate time and attention to the Company as needed.

Independent Directors should regularly hold meetings among themselves, and try in every way possible to look for opportunities in which they can discuss business management issues with the Management.

Independent Directors are expected to submit a confirmation letter to the Company verifying their independence in accordance with the Company's definition, on the date they accept the appointment and every subsequent year if required.

It is expected that there should be specific terms given to Independent Directors, and no director is expected to stay on beyond a certain time limit. Nonetheless, the difficulties of searching an appropriate replacement and the benefits of the working relationship built up over the years within the Independent Directors and their understanding of the business must also be taken into account. Accordingly, at present no time limit has been set up for the Independent Directors apart from the statutory limits placed under applicable law.

## Other Committees

The Board of Directors appointed several committees as part of the good corporate governance policy of the Company viz. Audit and Corporate Governance Committee, Remuneration Committee and Nomination Committee. The details of these committees such as names and number of members, qualifications, duties and responsibilities are disclosed on the website of the Company and under the subject “**Management Structure**” of this Annual Report.

## Aggregation or Segregation of Positions

The Chairman of the Board of Directors is an Independent Director and has no relationship with the Management, as defined by the Stock Exchange of Thailand. The Chairman is not the same person as the Managing Director of the Company nor is he related in any way to the Managing Director of the Company in order to segregate the duties between the policy maker and the policy manager.

## Company Secretary

In keeping with Good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and Good Corporate Governance, and responsible for holding the Board and shareholders’ meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company’s documents and information.

## 5.2 Roles, Duties and Responsibilities

### Leadership and Vision

The Board of Directors is the main driver in defining the direction of the Company’s performance, achieving its goals and objectives and to define the Company Mission, Vision, Core Values, Strategic Business Plan, appointment of competent and effective management and managing the Company’s affairs with Good Corporate Governance in order to reach the objectives in accordance with Company’s policy and in accordance with the law. The Board of Directors comprises of persons who have the knowledge, expertise, business experience and backgrounds which qualify them to perform their duties and responsibilities in accordance with the highest standards of business ethics.

The Board of Directors has clearly defined and demarcated powers, duties and responsibilities between each committee as mentioned under the “**Management Structure**” section of this Annual Report.

### The Corporate Governance Policy

In recognition of the fact that it is important and necessary for sustainable growth of operating business and long-term shareholder value, the Board of Directors has set up a Corporate Governance Policy for the Company. The Board of Directors has reinforced corporate governance by including policies and directions on operating the business, set up adequate internal controls and internal audit systems and monitoring management to perform effectively under the policy to ensure long term interests of shareholders under applicable laws with full transparency and correct business ethics. A Corporate Governance Policy Manual outlining its features has been drawn up by the Company and already circulated to the Company’s employees for the recognition of the necessity of Good Corporate Governance and is also disclosed on the Company’s website.

### The Company’s Corporate Governance Policy consists of:

1. Right and Equitable Treatment of Shareholders and various groups of Stakeholders.
2. Structure, Rules, Duties, Responsibilities, and Independence of the Board of Directors.
3. Information Disclosure and Transparency.
4. Controlling System and Risk Management.
5. Business Ethics.



The Board of Directors conducts an annual review of Corporate Governance Policy and evaluation of the policy implementation so that the Corporate Governance Policy of the Company is up to date and appropriate with the current situation.

In the Board of Directors' meeting in 2012, the Board conducted a corporate governance self-assessment through a questionnaire following the SET and IOD guidelines. The scores of corporate governance self-assessment fall in the level of "Very Good". The Board of Directors intends to use this result to further improve its corporate governance. The Company intends that the corporate governance self-assessment be done every year in order to comply with Good Corporate Governance practice and accordingly, this exercise will be conducted again in year 2013.

## **Business Ethics**

The Company has set up a code of ethics for Directors, management and employees as a guideline to carry out their respective work for the Company in a transparent, honest, faithful and justifiable manner. It is also disclosed on the Company's website.

## **Conflict of Interest**

In order to prevent conflict of interest transactions, The Board of Directors, through the Audit & Corporate Governance Committee has supervised carefully such potential transactions by setting out a written policy and procedure of approval of transactions involving any potential conflict of interests and has set up an appropriate policy as follows:

### **Potential conflict of interest transactions**

Any transaction which could lead to a potential conflict of interest and/or a related party transaction is considered very carefully by the Board of Directors with a view to full compliance with the relevant rules and regulations of the Stock Exchange of Thailand and the Securities and Exchange Commission, Thailand, apart from compliance with the internal policies and guidelines set up by the Company. Moreover, such transactions are entered into strictly on an "Arms-Length" basis. The terms and conditions of such transactions are always in compliance with generally acceptable, standard commercial terms and conditions and appropriate disclosure regarding the details of the transactions viz. value, counter-party, reason and necessity of the transaction is made in this Annual Report and also in Form 56-1.

In addition to the above, the Audit & Corporate Governance Committee and the Internal Audit Department prepared the annual audit plan to review transactions that may cause conflict of interest. For the year 2012, the internal auditors audited the aforesaid transactions and reported the results thereof to the Audit & Corporate Governance Committee in the Audit & Corporate Governance Committee's Meeting No. 1/2013 held in January 2013. The Audit & Corporate Governance Committee found that the Company has a proper policy for approval and prevention of abuse in such transactions. The existing conflict of interest transactions are made only on the basis of proper comparison of market prices and for the benefit of the Company. Adequate disclosures of all such material transactions have been made in this Annual Report.

Moreover, the Internal Audit Department has reviewed the compliance of the Company in respect of the Notifications of the Stock Exchange of Thailand Re: The Disclosure of Information and Acts of Listed Companies Concerning Connected Transactions 2003 as amended from time to time and Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 Re: Rules on Connected Transactions as amended from time to time including circular letter of the Securities and Exchange Commission about the recommended practice to be followed under section 89/12 (1) of the Securities and Exchange Act (No.4) B.E.2551. The details of the connected transactions have been explained under the topic "**Connected Transactions**" of this Annual Report. The results of the review have been reported to the Board of Directors of the Company. The Board of Directors of the Company is of the opinion that such transactions are fair and for the full benefit of the Company.

## Reporting changes in Company share ownership

To prevent abuse of inside information, all company directors, including their spouses, must report any changes in their company share ownership to the Company in case of sale or purchase of Company's shares. The changes in Company share ownership is reported to the Board of Directors meeting every quarter.

## Controlling System and Internal Audit

The Company recognizes the importance of internal control systems on an operational level to ensure that the operations are conducted efficiently. Powers and Duties of operations and management level personnel are laid down clearly. There is a proper level of control maintained on the utilization of the Company's property/assets for the highest benefit of the Company and there is clear segregation between the operations units, control units and assessment units for the purpose of maintaining appropriate checks and balances. Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant management.

The Company has the Internal Audit Department in order to ensure that the key operations and financial activities are conducted efficiently under the guidelines and relevant laws. Moreover, to ensure that the Company has complied with laws and regulations relating to the business of the Company, the Internal Audit Department conducts regular checks. Internal auditors report directly to the Audit & Corporate Governance Committee on all matters, in order to make the Internal Audit Department completely independent of the management.

Moreover, an internal control system for the financial and accounting functions of the Company is clearly set up which allows adequate reporting to the relevant managers to achieve the following objectives:

1. Efficient and effective operations, including skillful use of resources for the best benefit of the Company.
2. Accurate, reliable and prompt financial reporting.
3. Full compliance with the Company's policies, laws and regulations.

The Board of Directors recognizes the importance of risk management and is responsible directly for the risk management of the organization with the objectives to support the work performance of the management of the Company to be efficient and effective and to achieve the business objectives. The Board of Directors has specified the Company's policy on risk management and internal control on the website of the Company and under the topic "**Internal Control**" of this Annual Report.

### 5.3 Board of Directors' Meetings

The Board of Directors' meetings are held quarterly on a regular basis (except in the first quarter when 2 ordinary meetings may be held), but extraordinary or special meetings, if required, may be called at any time during the year. The meeting has a specific agenda, which would include a review of the Company's operations. The Company Secretary sends the notice of the meeting and relevant documents to all Directors, at least 7 days prior to the meeting date, so as to allow sufficient time for them to review the information before joining the meeting.

Board of Directors' meetings are held about 7 to 10 days after the Audit & Corporate Governance Committee meeting so that the minutes of the Audit & Corporate Governance Committee meeting can be sent to the Board of Directors for their consideration and discussion during the Board meeting. However, in case a Director either feels suspicious or has any questions, the Director can seek answers or clarifications directly from the Executive Directors at all times.

In every meeting, the minutes of the meeting are recorded, reviewed and adopted by the Board of Directors. The minutes of the meeting are kept with the Company Secretary for ready reference and review by other concerned parties.

The Board of Directors' meetings normally take around 2-3 hours. In the year 2012, the Board of Directors held 4 ordinary meetings (2011: 4 meetings) and 1 extraordinary meeting (2011: 1 extraordinary meeting). The record of attendance of the Directors is summarized as follows:

Name of Director	Attendance / Total Meetings (Times)			
	Year 2012		Year 2011	
	Ordinary Meeting	Extraordinary Meeting	Ordinary Meeting	Extraordinary Meeting
1. Admiral Dr. Amnad Chandanammattha *	-	-	1/1	-
2. Mr. Thira Wipuchanin	4/4	1/1	4/4	1/1
3. Mr. Khalid Moinuddin Hashim	4/4	1/1	4/4	1/1
4. Mr. Munir Moinuddin Hashim	4/4	1/1	4/4	1/1
5. Mr. Khushroo Kali Wadia	4/4	1/1	4/4	1/1
6. Mr. Jaipal Mansukani	4/4	1/1	4/4	1/1
7. Police Lt.Gen. Kiattisak Prabhavat *	-	-	1/1	-
8. Mr. Chira Panupong *	-	-	1/1	-
9. Mr. Suphat Sivasriamphai	4/4	1/1	4/4	1/1
10. Miss Nishita Shah	1/4	1/1	4/4	1/1
11. Mr. Kirit Shah	4/4	1/1	4/4	0/1
12. Mr. Peter Feddersen *	-	-	1/1	-
13. Mr. Chaipatr Srivisarvacha **	4/4	1/1	2/3	1/1
14. Associate Professor Pavida Pananond, Ph.D. **	4/4	1/1	3/3	0/1
15. Mr. Kamtorn Sila-On **	4/4	1/1	3/3	1/1
16. Mr. Ishaan Shah **	4/4	1/1	3/3	0/1

\* Directors who resigned in year 2011 with effect from 14 March 2011 to comply with the age limit prescribed in the Company's CG Policy.

\*\* New Directors appointed in year 2011 to replace the Directors who resigned.

The Non-Executive Directors hold meetings among themselves for discussing the business management issues and performance of the Executive Directors.

## 5.4 Board Self Assessment

In the Board of Directors Meeting held on 6<sup>th</sup> August 2012, Board members conducted a self-assessment through a questionnaire following the SET guidelines which covered the subjects as follows:

- Structure and characteristics of the Board.
- Roles and responsibilities of the Board.
- Readiness.
- Strategy Setting and Policy Making.
- Risk Management and Internal Control.
- Conflict of Interest.
- Monitoring of financial reports and the results of operation.
- Board of Directors' meetings.
- The Board's performance of duties.
- Relationship with Management.
- Self-development of Directors and Executive Development.
- Nomination.
- Remuneration.
- Performance Assessment for CEO/MD.

The scores of Board's Self Assessment fall in the level of "Excellent". The Board of Directors intends to use this result to further improve its performance. The Company intends that the self assessment be done every year in order to comply with the Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2013.

## **5.5 Managing Director Evaluation**

In the Board of Directors Meeting held on 6<sup>th</sup> August 2012, the Board members conducted a Managing Director Evaluation through a questionnaire following the SET guidelines which covered the subjects as follows:

- Leadership
- Strategy formulation
- Strategy execution
- Financial planning/ Performance
- Relationships with the Board
- External Relations
- Human Resources Management/ Relations
- Succession
- Product/ Service Knowledge
- Personal Qualities

The score of Managing Director Evaluation fell in the level of "Excellent". The Company intends that the Managing Director Evaluation be done every year in order to comply with Good Corporate Governance practice and accordingly this exercise will be conducted again in year 2013.

## **5.6 Directors and Management Remuneration**

The Management remuneration is fixed in accordance with the principles and policies set by the Board of Directors. The Board of Directors directly and specifically approves the remuneration of the Executive Board and the Director employed in an executive capacity in the Company's subsidiary based on the remuneration in the Industry for equivalent positions, financial status/performance of the Company and their respective individual performances.

Since the year 2007, the Board appointed and assigned the Remuneration Committee to set procedures for consideration of the remuneration of the Directors and Management in accordance with international standards and comparable with other equivalent listed companies including companies in the transportation industry.

The remuneration of the Senior Management included their salary, bonus, and other remuneration (income tax, house rent and provident fund contributions) and the Directors' Remuneration was a fixed annual amount which was approved in Shareholders' Meeting. The remuneration of Directors and Management has been disclosed hereinabove under the subject of "Disclosure and Transparency".

## **5.7 Directors and Management Training**

The Board of Directors continues to try and enhance their value by participation in activities, courses and events which add to their knowledge base in the continually changing business environment to ensure that they are updated and possess full knowledge. All the Company's Directors have attended important training courses that are available such as the Director Certification Program (DCP) or the Director Accreditation Program (DAP) held by the Thai Institute of Directors Association (IOD).

In year 2012, 2 Directors, Mr. Kamtorn Sila-On and Associate Professor Pavida Pananond, Ph. D., attended the "Audit Committee Program (ACP)" conducted by the Thai Institute of Directors.

### **Directors' Orientation**

If someone is newly appointed on the Board of Directors by the shareholders, the Company Secretary will inform and provide relevant documents for new Directors such as Director's handbook, the Company's corporate documents, CG Policy Manual, Business Ethics and Code of Conduct Manual, laws, regulations and practices which are related to the trading of Company's shares.

The Company arranged such a Directors' Orientation program for the 4 new Directors who were appointed in year 2011.

## INSIDER TRADING CONTROLS

Precious Shipping Public Company Limited has the policy to ensure correct and adequate disclosure of information such as financial statements and other significant data or information related to the business, on a transparent and timely basis to shareholders, investors and general public.

The Board is committed to comply with rules and regulations with regard to the disclosure of information in a timely manner with full transparency. The monitoring of the use of insider information of the Company is considered the responsibility of the Directors, executives and senior staff who are obliged to strictly monitor and prevent any leaks of the Company's confidential and privileged information including information not yet revealed to the public or any data that might affect the Company's operations or share price. This includes the prohibition on use of Company's information obtained from directorships or employment for personal benefit or conducting business or other activities in competition with the Company. The Company has determined it as policy and guideline in the Business Ethics and Code of Conduct Manual which is disclosed on the website of the Company under the subject of Corporate Governance.

Pursuant to section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Management personnel are required to report the changes in their (and that of their spouse and minor children) shareholding to the Office of the Securities and Exchange Commission, which was fully complied by the Company's Directors and Management during the previous year. Moreover, the Directors in an executive position, who are full-time employees of the Company (or its subsidiary) and Senior Management, are not allowed to trade/transfer in the Company's shares during the period of 3 weeks before and two days after the annual audited results (2 weeks before in case of quarterly reviewed results) are announced and also at least 3 days before the Company makes any significant announcement. The rest of the Management personnel are also strongly encouraged to follow this policy and during the year, all members of management have complied fully with this policy and no non-compliance cases have been observed.



# INTERNAL CONTROLS

Precious Shipping Public Company Limited recognizes the importance of Internal Control Systems on an operational level to ensure that the operations are conducted efficiently within risk parameters acceptable to the Company and prevailing business circumstances for the activities of each of the individual departments. To ensure suitable control measures in keeping with prevailing circumstances, environment, and risks, the internal audit department regularly monitors the internal controls in place and the internal control practices. The Company has implemented the Internal Control Systems in accordance with the recommendations of The Committee of Sponsoring Organizations of the Treadway Commission (COSO) as follows:

## 1. CONTROL ENVIRONMENT

The Company has forged ahead with setting up a proper control environment and accordingly set up the Corporate Governance Policy and Business Ethics Manual in writing. These are recognized by the staff of the Company as the basis of working. In addition, the Company has established the alignment of the organization structure with the Company's goals and business direction, including clear definition of functions, roles/responsibilities, and reporting lines of each business division. The Company recognizes that the Control Environment will lead to efficiency and effectiveness of work and bring out the best benefits to the Company.

## 2. RISK ASSESSMENT

The Company recognizes the importance of Risk Assessment as a tool to indicate a dangerous signal that could result in loss and therefore, the Company has annually assessed prominent risks by dividing them into two categories as being on 1) Organization Level that is managed by Management and published in the Company's Annual report, 2) Activities Level for which both, Internal Audit Department as independent entity and each specific department (being in possession of sound knowledge and skills required for operations), are responsible. Such assessments bring out the risks that affect the Company's operations which are then required to be managed through a set-up of correct and appropriate control systems. The results of Risk Assessment for various activities are reported periodically to Management and the Board of Directors for consideration.

## 3. CONTROL ACTIVITIES

The Risk Assessment process also involves an assessment of Control Activities. The objective of assessment is to ensure that the Company has good control systems and conforms to the related risks to decrease/distribute all risks of the Company with a view to ensuring efficiency and effectiveness of operations. In terms of the Company's functional management, the Managing Director clearly delegates authority to the Company's functional management, resulting in practical and easily - tracked courses of action. The Company has allocated responsibilities to four main departments to verify, control and supervise the business to ensure strict compliance with laws and regulations. These consist of the Company Secretarial and Compliances Department, Internal Audit Department, Accounting and Finance Department and International Safety Management (ISM) Department.

#### 4. INFORMATION & COMMUNICATION

The Company recognizes the importance of accurate, reliable and prompt Information & Communication, including the continuous development of IT systems and database which include financial, operational, and compliance systems. This leads to accurate and timely data being made available for decision-making. The Company has provided an effective communication system, including internal and external channels. As an internal channel, all staff and Management can easily communicate through the Intranet System enabling the efficiency and effectiveness of communication to achieve the Company's objectives. As an external channel, the Company provides the information through the channel of SET, the Company's website and the Company's top management is very prompt in answering any queries, which may be raised by Investors, or any stakeholder.

#### 5. MONITORING & EVALUATION

The Company features a performance monitoring and evaluation system as follows:

Level	Monitored and evaluated by	The frequency of monitoring and evaluation (per year)
Staff	Head of Department	At least 1 time
Head of Department	Management	At least 1 time
Management	Board of Directors	At least 4 times

The results of monitoring and evaluation are considered while setting up the Company's strategic plans. In addition, the Internal Audit Department monitors and assesses internal control procedures and outcomes, and then reports its findings to the Audit & Corporate Governance Committee. The findings of internal control assessment for 2012 have been provided in the "**Audit & Corporate Governance Committee Report**" section of the Annual Report.

At the Board of Directors' Meeting No.1/2013 on 4<sup>th</sup> February 2013, which the Audit & Corporate Governance Committee also attended, the Board agreed with the Audit & Corporate Governance Committee's opinion about internal control evaluation results. It was concluded that the Company and its subsidiaries have properly maintained the internal control systems and have effectively improved control measures to correspond with changing situations, which lead to the achievement of Company and subsidiaries' objectives and compliance with regulatory requirements.

Moreover, the result of the Year 2012 Audit of the Company by Ernst & Young Office Limited, the independent and external auditors, has not identified any significant weakness in internal controls which may have a material impact or cause disruption in business operations.

# MESSAGE FROM THE BOARD OF DIRECTORS ON CORPORATE SOCIAL RESPONSIBILITY

## To the Shareholders,

We are pleased to present this report on the Company's Corporate Social Responsibility ("CSR") activities, as it relates to Customers, Compliance with Regulations & Conventions, Employees - Safety & Occupational Health, Training & Development, and Community & Society.

The Company's mission is to be the most respected shipping company in the world, providing best services and solutions to facilitate International dry-bulk trade. We believe this can be achieved with an unwavering focus on the Company's stakeholders, namely customers, governments & other statutory/industry organisations, employees, shareholders, and society & the community, and serving their respective needs in a constructive manner. The Company has also included elements of CSR as its core values which are followed at all times on a day-to-day level by all in the Company.

The CSR Report summarises the Company's interactions with its stakeholders and reflects the Company's continuous search for ways to improve at all levels. We are heartened by the large number of suggestions/views sent in by our shareholders and other readers of our past reports, and we assure you that each and every response is taken very seriously and considered for immediate action.

On behalf of the Board of Directors of Precious Shipping Public Company Limited, we would like to express our gratitude to all those who have contributed to the success of the Company.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**



**Mr. Khalid Moinuddin Hashim**  
Managing Director



**Mr. Khushroo Kali Wadia**  
Executive Director

4<sup>th</sup> February 2013

# CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

The Company is committed to conducting business under Good Corporate Governance principles; doing business ethically and striving for the betterment of society and the environment. The Company acknowledges that its unique character, of having all its ships trade all over the world flying the Royal Thai Flag, obliges it to act as the country's ambassadors to the world and the Company takes this responsibility very seriously.

The Company places the highest priority on Corporate Social Responsibility (CSR) and has built it into the Company's Mission Statement and Core Values (as reproduced on the first page of this Annual Report). In addition, the Company allocates a budget of 0.50% of net profit every year towards CSR activities. This budget is cumulative and is subject to a minimum of Baht 1.75 million and a maximum of Baht 25 million per year. The actual disbursements out of this budget are decided by the Company's senior management, which is periodically reported to the Board of Directors.

In keeping with the times and the need of the day and requests received from International Investors and Institutions, the Company has included a separate **"Sustainability Report"** in the Company's Annual Report. Accordingly, in respect of the aforesaid issues, kindly refer to The Sustainability Report on Page 78 - 85 of this Annual Report, which outlines all issues of Environment, Piracy, Regulations in the Maritime world and the initiatives and steps the Company is taking to reduce its carbon footprint and to better the environment and go green. This report uses pictures and graphs to show how the Company measures up in terms of compliance with various regulations.

We outline hereunder the Company's CSR activities as it relates to: 1. Customers, 2. Employees 3. Community & Society.

The Company believes that successful implementation of CSR activities in all these areas, on a sustained basis, will help achieve its Mission.

**1. Customers :** The Company recognises that it is in the sea transportation industry and its success depends on adding value to customers by way of transporting goods from place of production to the place of consumption. As part of its commitment to add value to its Customers, the Company is committed to provide substantive reply to any query from a Customer promptly, but in any event within 24 hours including weekends and national/international holidays. Further, whilst operating within the scope of the agreed contract, the Company tries to provide solutions to any situation/problem the Customer may face, even if any of our vessels are not involved at that moment. The Company is happy to report that its service is well appreciated and some typical comments from Customers are quoted below:

**"...Master/crew have done a great job.**

**Looking forward to fix Owners' tonnage in near future..."**

**"...Chtrs appreciate Owners' good cooperation during whole period of this charter.**

**Look forward to working with Owners again in near future..."**

**"...charterers would like to thank Owners for their excellent cooperation during this voyage and look forward to future business with them..."**

New computer-based Management Information System: As reported in the previous years, the new Computer Program implemented by the Company covers all the operations in the Head Office and also links all the vessels in the fleet. This software gives real-time information on vessel operations, costs, etc. and keeps the Head Office in close contact with the Master of each and every vessel; and assists in effective decision making on all issues. This System has enhanced the Company's ability to better serve its Customers, and to provide support to its employees serving onboard the ships.

## 2. Employees :

**Safety & Occupational Health :** The Company recognizes that respect for human rights is the foundation of Human Resources' improvement, which adds value to the business. Moreover Human Resource is a key success factor for business and adds value to the Company in all aspects. It is the Company's policy to conduct its activities in a manner that promotes the health and safety of its employees so that the actions of the Company, and its employees, promote the health and safety of others too. The Company considers health and safety to contribute equally with commercial and operational factors and is considered a management responsibility. To this end, the health and safety responsibilities of all personnel have been defined and allocated. The Company's Safety Management System (SMS) is intended to affirm that the Company achieves its purpose in this area and is based on the philosophy that accidents can be prevented by the identification and management of risk.

The Company also has a Drug and Alcohol Abuse Policy. It is based on the recommendations contained in OCIMF's "Guidelines for the Control of Drugs and Alcohol On board Ship". They are detailed in the Safety Management System available on all vessels and displayed for all crew members.

Ensuring that each crew member gets enough rest is a necessity. In order to avoid fatigue and stress related accidents on board, minimum rest periods have been recommended by STCW 95 convention and ILO Convention 180. Both these conventions have undergone considerable amendments. As a result, the requirements have become more stringent. STCW 2010 Manila amendments are effective from January 2012 whereas ILO 2006, which is known as MLC (Maritime Labor Convention) 2006, has been ratified in August 2012 and will become effective in August 2013.

The Company's medical fitness requirements are higher than the standards set by International Labour Organization (ILO) and other regulatory bodies. As a result, the Company finds very few cases of fitness or sickness related problems amongst its seafarers.

**Teamwork :** Unlike a conventional ship owning Company which outsources the technical management of its ships, the Company's Management Company, viz. Great Circle Shipping Agency Limited (GCSHIP) is a wholly owned subsidiary of the Company. The staff of the Management Company work as one team under the same roof. Good co-ordination is achieved in all areas of ship operation by this arrangement. Besides ISM code certification, GCSHIP is also certified for Quality Management System "ISO 9001: 2008", and has obtained certification for their Environment Management System "ISO 14001:2004"

**Training & Development :** Over the years, the Company has not only acquired expertise in the field of ship management, but in the process, has developed a pool of highly qualified and competent staff, both, on-board and ashore. It is through this dedicated and loyal work force of floating staff, technical superintendents, and internal auditors that the Company has been able to achieve high standards of Safety and Quality in all aspects of ship operations. It is the Company's policy to encourage and support competent and efficient seafarers and give them the opportunity to grow within the Organization.

All officers are required to visit the head office for briefing before being assigned to vessels. Here, they are briefed and updated about new developments and practices in the industry. Regular updates are also sent to the vessels. Officers are often sent to attend value addition courses in order to enhance their skills. The costs for these courses are borne by the Company.

The Company is introducing a mechanism whereby the officers and crew serving onboard our ships can send in their complaints and/or suggestions to the office. This, we expect will encourage the ship-staff to make effective contribution to the shipboard operations, and help us further improve the Company's performance.

The Company has provided on board the vessels, selected video training programs from the best available in the market.

In order to motivate the junior officers and also keep up with the process of learning while on board, senior officers are asked to actively interact with them. In order to measure their levels of competency, computer based competency test facility is provided on board. Based on the results of these tests, officers are able to determine their weaknesses and work to improve upon on weak areas.



**Maritime Training Center & Bridge Navigation Simulator :** The Company has set up a full-fledged Maritime Training Center at its Head Office in Bangkok which includes a state-of-the-art Bridge Navigation Simulator. The PSL Training Center, which commenced operations in March 2008, has given a solid foundation to the Company's training activities and has enabled its Officers and Crew to keep abreast of the latest developments in ship operations. The Bridge Navigation Simulator recreates the actual bridge on a ship as it enters a major port and provides ideal conditions in which to train Officers and Crew in ship-handling and navigation. The Training Center continually develops new training courses for marine engineers, navigating officers and crew at all levels. The PSL Maritime Training Center is a significant step taken by the Company to train and equip its Officers and Crew to take better care of themselves and their ships, all with a view to ensure Safety of the Crew and preventing accidents, thus preserving the environment.

**“Automated Mutual assistance Vessel Rescue System” (AMVER) :** Sponsored by the United States Coast Guard (“USCG”), AMVER is a unique, computer-based, and voluntary global ship reporting system used worldwide by search and rescue authorities to arrange for assistance to persons in distress at sea. The Company continues to be involved in the AMVER program and its good performance is recognized by the USCG in the form of AMVER awards given to the Company every year through their representative at the United States Embassy in Bangkok. A quote from the USCG citation letter would perhaps reflect what this award is all about: “...you can take pride in the voluntary commitment of your officers and crew to the safety of life at sea.” .

### Blood Donation 2012



2 blood donation camps organized by the Company in January and July 2012 with a total collection of 37,800 cc.

**3. Community and Society :** The Company recognizes that a solid community and society is a significant factor to support the Company's business. Therefore, the Company supports and gets involved in many community and society-based activities on a regular basis. The Company fully recognizes its responsibility to the Community and is attentive to the consequences of the Company's conduct that affect the people around more than what the laws require, including making efforts to gradually absorb social accountability. The creation and expansion of the Company's CSR Fund will provide a permanent and formal framework to enhance the Company's CSR activities.



## Scholarships to MMTC 2012



*The photographs show MMTC scholarship students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management.*

In August and October 2012, the Company awarded Baht 846,800 and Baht 1,109,600 respectively, as scholarships to selected students of Merchant Marine Training Center (MMTC) to support their entire education year.

The unprecedented floods in Thailand in 2011 affected millions of people and wrought damage and destruction not witnessed before. The Company's employees were also affected and many had their homes under 2 meters of water! Keeping aside the misery of living in such appalling conditions and despite their precious valuables being completely damaged, the Company's employees continued to perform their duties normally and the Company records its appreciation of the employees' commitment. The Company, for its part, issued a policy directive that all possible assistance be extended to those affected by the floods, and the Human Resources Development ('HRD') Department was designated as the nodal point for this purpose. Those who were unable to travel to the office were granted special leave and excused from attending office; where the houses were inundated, the employees and their families were provided accommodation in the city center, and for others who made their own arrangements, their expenses were reimbursed by the Company.



*Shown in this photograph: MMTC students along with Mr. Koka V. Sudhakar, PSL's Vice President in Fleet Management on the graduation day at MMTC.*

Some of the Social and Community activities undertaken by the Company are as follows:

- The Company takes an active interest in the Merchant Marine Training Center, Thailand (MMTC) and has awarded Gold medals for graduates finishing at the top of the class since 1998. Besides, the Company also donates text-books to MMTC on a regular basis.

- ➡ The Company has instituted Scholarship scheme for students of MMTC. In 2012, 2011 and 2010, an aggregate of Baht 2,131,900, Baht 2,339,800 and Baht 2,355,120, respectively, have been disbursed to outstanding students in need of funding.
- ➡ The Company employs most of the cadets passing out from the Merchant Marine Training Center, Thailand and thus contributes to the development of qualified Thai officers. This pool of officers is available to any/all Thai ship-owners and not just restricted to the Company.
- ➡ As reported in the previous report, the Company had signed a MOU with the Vocational Education Commission to implement knowledge and promote teaching and learning for Nakhon Si Thammarat Industrial and Shipbuilding College (NASIC). Pursuant to this MOU, the Company built and handed over a student dormitory facility at NASIC, at a total cost of about Baht 25.40 million. The Company continues to provide financial assistance to the students by purchasing books & other materials for their library. For their part, NASIC has introduced new courses and curriculum under consultation with the Company to develop/train Engineering Officer graduates for a career in shipping, thus developing a new career option for Thai youth. The Ministry of Education, Vocational Education Department, awarded a Honor Shield to the Company in recognition of its participation with NASIC.
- ➡ The Company awarded Baht 165,000 Scholarship to a student of The International Maritime College, Kasetsart University, Si Racha Campus to support his entire Maritime Science degree course in the University. The final installment under this scholarship award was paid in April 2010.
- ➡ In 2011, the Company donated Baht 113,160 to the project Hom Bha Hai Nong 14<sup>th</sup> by cadets of Merchant Marine Training Centre to build canteen for Wat Ta Phang Klee school, Chachoengsaoprovence. This is further to the donation made by the Company in the previous years of: 1) In 2010, baht 139,000 to the project Hom Bha Hai Nong 13<sup>th</sup> by cadets of MMTC to build toilet facilities at Bann Non Pha Suk School, Sa Kaew province. 2) In 2009, baht 80,466 to the project Hom Bha Hai Nong 12<sup>th</sup> by cadets of MMTC to buy a projector and build an activities stage for Wat Bang Kra Jao School in Samut Sakorn province; and 3) In 2008, baht 100,000 to the project "Hom Bha Hai Nong 11<sup>th</sup>" by cadets of MMTC to repair classrooms and renovate the library for Ban Bhai See Thong School in Suphanburi province.
- ➡ During the year 2010, the Company donated 28 used computers to Mathayom Warichpoom School, Sukhothai School, Bann Koh School, Sathya Sai School and to Pak-Kret Community Administration Office. This is in continuation of the Company's tradition to assist in the education of needy children, when the Company has reported the donation of 15 computers for teaching program to Bann Koh School in Surin province which was followed up by further three computers of modern vintage (Dell Celeron 2 GHZ, Hard Disk 40 GB) to upgrade the teaching facilities.
- ➡ The Company donated Baht 40,000 for Muslim youth center Bann Pak Lad at Prapadaeng, Samutprakarn to support educational equipments and scholarship for Children day activity held on 19<sup>th</sup> January 2008.
- ➡ The Company makes regular donations to the needy and poor and for various causes. For instance, the Company, in collaboration with employees, donated over Baht 1 million to the Thai Red Cross for those affected by the Tsunami in Thailand, and in early 2004, donated computers to four primary/secondary schools in Rayong province for use by 877 students studying in these schools.
- ➡ The Company helped build a school for children affected by the earthquake which hit western India in 2001. The "Indo-Thai Friendship School" is now fully operational and can accommodate 700 students in Elementary, Middle and High School levels. This has been greatly appreciated by all concerned and projects a very favorable impression of Thailand.
- ➡ The Company readily responded to the needs of the people living in South Thailand affected by the deadly Tsunami of Dec 2004. As an immediate measure, the Company and its employees contributed

Baht 590,000 to the villagers of Talay Nok in Ranong province, to renew/repair their fishing boats and resume earning their livelihood. The Company has adopted the Talay Nok village and undertakes regular visits there to ascertain their requirements. The Company has extended an open invitation to needy children to apply for study scholarships (one such girl child is presently studying in a Bangkok college). Moreover, with a view to provide a source of livelihood to the youth, the Company is also encouraging able-bodied youngsters from this village to come forward for basic seamanship training, to be provided at Company's cost, following which they can become sailors on the Company's ocean-going ships for a fruitful and fulfilling career in international shipping.

- ➡ The Company along with the staff and crew donated Baht 1,325,867 in year 2008 to construct a new building for housing the Physics, Chemistry and Computer laboratories in a school in Semmangudi, Tamil Nadu, India. This school is in a very poor village and was seriously affected by the Tsunami of Dec 2004.
- ➡ The Company organizes blood donation camps on a regular basis in collaboration with the Thai Red Cross. These blood donation camps have been organized since the past several years. In 2012, 2 donation camps were organized in January and July with a total collection of 37,800 cc.
- ➡ Every year, the Company organizes a 5-KM run "PSL Annual Maritime Day Run" at the Lumpini Park to encourage all its employees to inculcate a habit of doing regular exercise to maintain good health. In 2012, the PSL Run was not held and instead the Company decided to utilize the funds for providing assistance to those affected by the devastating floods in Thailand.
- ➡ The Company is one of the sponsors of the annual sports day function at the Merchant Marine Training Center. The co-operation with MMTC thus extends to Sports, besides academics (as outlined above), and helps in all-round development of Officer Cadets.
- ➡ The Company is setting up schemes to provide assistance by way of annual scholarships or otherwise, to our own staff members who are not able to afford school admission and/or tuition fees for their children.
- ➡ The Company donated money and equipment to make a scientific laboratory that supported study activities at Ban Koh School in Surin province in September 2006. The Company donated Baht 100,000 and books to cadets of Merchant Marine Training Centre to repair classrooms and build up the library for Bannwangsanuan School in Nakhonratchasima province in September 2007.
- ➡ The Company contributed Baht 100,000 to The Council for Social Welfare of Thailand under The Patronage of His Majesty the King to develop knowledge and foster career skills of disabled people, supporting them to seek their own income, on the 43<sup>rd</sup> Cripple Day in November 2007.
- ➡ The Company donated Baht 68,000 to Ban Koh School in Surin province in year 2008 to support the "Student Field Trip" to Skaerat Environmental Research Station in Nakhon Ratchasima province.

# SUSTAINABILITY REPORT

The Company recognizes that irresponsible shipping operations will inevitably lead to catastrophic environmental impact, particularly in terms of air and/or water pollution. Therefore, The Company is firmly committed to the protection and conservation of the environment, and ranks environmental considerations equally with commercial and operational factors.

However, over years of operation the Company has realized that simply complying with regulations is not enough, but what is needed is to go above and beyond the mandatory regulations by developing internal emergency response plans and quality control systems, constantly searching for new technologies to employ to help reduce our environmental impact, and also a firm commitment to reducing CO<sub>2</sub> emissions and waste generation.

This report outlines the most significant environment-related maritime regulations and the Company's compliance therewith; the report also outlines the Company's internal emergency and quality control systems and CO<sub>2</sub> reduction efforts. This report concludes with a statement of goals and objectives set by the Company for the coming year.

## Compliance with Regulations & Conventions

In order to have the Company's ships sailing in international waters, the Company is legally required to be fully compliant with the following regulations imposed by the International Maritime Organization (IMO) and other regulatory bodies:

- Maritime Regulations for Prevention of Pollution (MARPOL).
- International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004.
- International Convention on the Control of Harmful Anti-Fouling Systems 2001.
- International Convention on Civil Liability for Bunker Oil Pollution Damage 2001.
- International Maritime Dangerous Goods Code.
- National Regional and Local regulations more stringent than the international requirements like US environment protection acts, European Union air pollution directives etcetera.

In addition to the above, the most significant regulations are outlined below, and the Company's efforts to remain compliant.

**International Safety Management Code (ISM Code):** Learning from various marine casualties over the years, "International Safety Management Code" (ISM Code) was introduced by the International Maritime Organization, to enhance the safe operation of ships and pollution prevention. The ISM Code became mandatory on 1<sup>st</sup> July 1998 for passenger ships including passenger high-speed crafts, oil tankers, chemical tankers, gas carriers, bulk carriers and cargo high-speed crafts of 500 gt and upwards, but the Company implemented this in 1995 itself after obtaining due certification.

The Code is implemented on board the vessels and offices ashore in order to provide an international standard for the following objectives:

1. Ensure safety at sea.
2. Prevent human injury or loss of life.
3. Avoid damage to the environment.

Below is a graphical account of the Company's ISM Code violations viewed against Operating days from 2005-2012. For the purpose of this analysis, violations are considered as any incident that results in a fire, explosion, injury or death to crew members, collisions, and groundings. Operating days hit a peak with 19,710 days in 2006, while ISM code violations peaked in 2007 with 18 violations. However, between 2007 and 2011 the code violations declined by 94%; there has been an uptick in 2012, and the Company has analysed each violation in detail and conveyed to all senior employees as a case-study, and to avoid recurrence. On violations per operating day basis,

2006 and 2011 were The Company's best years with the violation at the lowest at 0.02%, while even at worst, in 2007, the violations were a negligible fraction, at only 0.11%. Across the period, the average violation for the whole fleet was only 0.06%.



As per the ISM code requirements, annual internal audits are conducted on board by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliances, accidents and near misses are thoroughly investigated and analyzed, after which procedures are reviewed immediately. Furthermore, all lessons learned from various accidents and near miss incidents are shared with organizations like Marine Accident Reporting Scheme (MARS) for the mutual benefit of the industry and to enhance maritime safety in general. The Nautical Institute, London, which publishes the MARS reports every month, has appreciated the Company's participation in MARS and for promotion and sharing "lessons to learn" incidents and case studies from own fleet for the benefit of the industry. This is in compliance with our highest ideals of quality management and social responsibility.

In addition to the above, the Company is undertaking following initiatives to limit ISM Code violations through preventative action:

- **Enhanced staff training:** An increasing trend in the industry is that Port State Control inspectors are getting more stringent in their enforcement of the ISM Code. As such our ship staff are given regular checks on their ISM knowledge, sharing of experiences from across the fleet.
- **Enhanced maintenance of vessels:** The head office has stressed that all machinery checks and inspections be carried out with greater frequency, and any difference observed by ship staff are immediately reported. Also the Company's management has stressed that internal auditors enforce the code more stringently than ordinary inspectors to achieve a higher level of compliance and safety for our ships, cargoes and crew.
- **Timely warnings and reminders to vessels:** Vessels entering North American and Australian waters often require additional certificates for compliance with local regulations. As a preventative measure the head office gives instructions to the crew well in advance of the vessel's arrival in such waters to ensure that all documents are in order and the vessel is in full compliance.
- In 2012, the Company became a member of INTERCARGO, the International Association of Dry Cargo Shipowners. Intercargo, quoting their own words, 'exists in order to link industry stakeholders in a commitment to a safe, efficient and environmentally friendly dry cargo maritime industry, and our vision



is for a safe, efficient and environmentally friendly dry cargo maritime industry where its member's ships serve world trade – operating competitively, safely and profitably'. This perfectly fits in with the Company's philosophy and the Intercargo membership reflects Company's resolve towards sustainability.

- In 2012, the Company also became a member of RightShip, an independent ship-vetting organisation formed by BHP Billiton, Rio Tinto and Cargill, three of the world's largest trans-national corporations and major users of sea transport services. RightShip's ship vetting model is known for its exacting and stringent standards, and focuses on ship safety (including crew and cargo) and marine environmental protection; and the Company's membership is yet another affirmation towards sustainability.

Keeping in line with the declining trend observed in the previous graph, the Company has set an internal target of zero ISM Code violations resulting in injury or death, fire, collisions or groundings or any vessel detentions resulting from an ISM Code violation.

**International Ship and Port Safety (ISPS) Code:** In light of changing security circumstances across the globe, the International Ship and Port Safety Code was adopted in 2004. The code is an amendment to the Safety of Life At Sea (SOLAS) Convention that encompasses a greater level of security arrangements for ships and ports. The code assigns responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade" (ISPS Code Part A 1.2.1).

In implementing the ISPS Code the Company has developed standard operating procedures for vessels entering ports prone to drug smuggling, and stowaways. This includes employing sniffer dogs and armed guards where appropriate. Furthermore, standard policies are employed whenever vessels call European, British, American, Australian or Canadian ports, and to date the Company has had only 1 detention from an ISPS violation.

Annual internal reviews are conducted on preventative measures including the performance of the companies providing the sniffer dogs and guards. Like the ISM audits mentioned above, these are carried out by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliance, accidents and near misses are thoroughly investigated and analyzed. In the event of any failures of the standard operating procedures, reviews are immediately conducted.

Below is a graph displaying the number of ISPS Code Violations (left-hand axis) against the number of Operating days (right-hand axis) from 2005-2012. ISPS violations peaked in 2005 with 11 violations occurring that year, while operating days peaked in 2006 with 19,710 days. Both operating and ISPS violations reached their lowest levels in 2011 with 0 code violations during 5,842 operating days. There were no ISPS violations in 2012.

The Company has set an internal target of zero violations for the coming year.





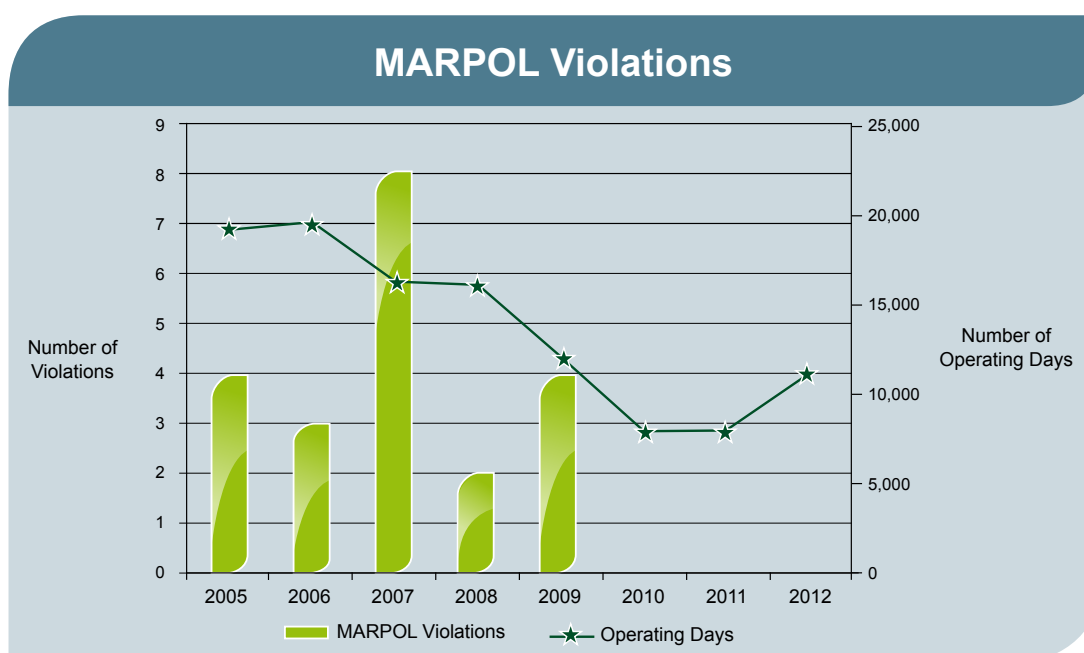
**PIRACY:** As outlined in the **Board of Directors' Report**, piracy is major threat faced by the Company's ships and the officers/crew sailing onboard are under tremendous pressure when sailing through areas where armed pirates are known to attack. This is especially true of the Indian Ocean / Arabian Sea area, extending from the mouth of the Persian Gulf in the north to the south of Madagascar. The Company takes this threat very seriously and ensures all ships are routed outside these areas and closer to the Indian coast; where this is not possible for any reason, the Company engages security guards to sail with the vessel for the passage through these high risk areas. In any case, all ships transiting through the high risk areas are 'hardened', amongst other things, by rigging barbed razor wire around the ship thereby making it harder for the pirates to climb onboard our ships. The Company is committed to doing everything possible to ensure safety of the ship and officers/crew.

**MARPOL:** is one of the most important environmental regulations in the maritime industry and aims "to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances." This convention is divided into 6 distinct sub-areas (IMO, 2011):

1. Regulations for the Prevention of Pollution by Oil.
2. Regulations for the Control of Pollution by Noxious liquid substances in bulk.
3. Regulations for the Prevention of Pollution by harmful substances carried by sea in packed forms, or in freight containers, portable tanks or road and rail tank wagons.
4. Regulations for the Prevention of Pollution by Sewage from ships.
5. Regulations for the Prevention of Pollution by Garbage from ships.
6. Regulations for the Prevention of Pollution by Air from ships.

There is a companywide acknowledgment that the risk posed to the marine environment from a marine incident is severe. The Company has adopted a great deal of preventative measures to limit this risk factor. The first is to limit human error, and the second is to maintain the vessel's machinery to the highest possible standard.

In order to limit human error the Company has developed an internal training programme for all seagoing staff. This includes simulator exercises designed to improve navigational skills and awareness by putting officers through various weather, sea and port conditions. Furthermore, the Company also ensures that all engineers employed are put through their own specific rigorous programme aimed at enhancing their ability to maintain engines and avoid any fuel or sludge discharge while the vessel is in port or at sea.



The above graph demonstrates the number of MARPOL violations (left-hand axis) resulting in an insurance claim and Operating days (right-hand axis) from 2005-2012. For the purpose of the analysis, any incident counts as a violation if it is resulted in an insurance claim. MARPOL violations were most numerous in 2007 with 8 violations, while Operating days peaked in 2006. The average number of violations for the period was less than 3, while the average number of operating days was 13,805 days. From 2007 to 2012, the total number of incidents declined by 100% while Operating days declined by 32%. On a per day basis in 2007, the Company violated MARPOL 0.03% of all Operating days, while in 2010, 2011 and 2012, the Company obtained a rate of 0% violations per Operating day. As is the case with the 2 previous codes outlined, the Company aims to have zero MARPOL violations in 2013 and that none of our vessels are detained as a result of a MARPOL violation.

**Upcoming Regulations:** The following regulations are coming into force within the next few years and the Company is already inducting them into our business operations.

**SEEMP (Ship Energy Efficiency Management Plan) - Jan 2013**

**EEDI (Energy Efficiency Design Index) for new buildings - Jan 2013**

**MLC (Maritime Labour Convention) - Aug 2013**

Having successfully outlined and explained the significant maritime regulations that safe guard the environment and those that will soon play a significant role, the next section details the Company's internal environmental control system.

## **Protection and conservation of the environment:**

**ISO 14001 Certification:** With an increasing demand for environmental conservation the Company has established an "Environment Protection Policy." In addition to minimum requirements based on international conventions and regulations, the Company implements an Environment Management System (EMS) complying with the ISO 14001 standards. ISO 14001:2004 provides a framework for a holistic, strategic approach to the Company's environmental policy, plans and actions, and demonstrates that the Company is an environmentally responsible organization. Upon completion of one year after initial certification, the Company has successfully completed annual audit verification conducted by Class NK, confirming compliance with the standards. The EMS supplements the Quality Management System, meeting ISO 9001 standard, and the International Safety Management (ISM) code. This integrated Management System is known as Safety Quality and Environment Management System (SQEMS). According to the SQEMS, the Technical Manager, who also heads the Management Company, is appointed as the "Management Representative" and is also the "Designated Person" for the purpose of the ISM code. In 2008, ClassNK issued the Company a QMS certificate - the new 2008 version of ISO 9001. In general, dry bulk shipping companies do not go for this certification which is more or less the exclusive preserve of tanker companies where protection of the environment is the paramount issue.

### **Objectives of the EMS:**

- Minimize pollution caused to the environment.
- Comply with all national, international legislations and other regulations pertaining to pollution of the environment.
- Establish procedures for the efficient use of natural resources.
- Improve environmental awareness of all employees.
- Ensure effective monitoring of the environmental performance of the Company is carried out.
- Ensure continual improvement of environmental performance and pollution prevention.

Through periodic review and continual improvement of our SQEMS, the Company hopes to elevate environmental performance over the coming years and make significant contribution to conservation of the environment and reducing the Company's carbon footprint. Another tangible effort being made by the Company to reduce the environmental impact of the business is the adoption of new environment friendly technology on new ships acquired.

## Use of New Technology and Innovations:

The Company's commitment to protection and conservation of the environment and prevention of pollution is reflected in the new building contracts the Company has signed with ABG Shipyard in India for building 21 vessels (18 bulk carriers and 3 special-purpose cement carriers) out of which 9 bulk carriers were novated and 2 bulk carriers were delivered to the Company during 2011 and 2012 thereby reducing our order to 10 vessels (7 bulk carriers and 3 special-purpose cement carriers) at the end of year 2012. The vessels are being built to comply with all regulations presently in force and also those which are known to be applicable in the foreseeable future. In addition, wherever practical, the vessel's specifications exceed those mandated by regulations, both for ease of operations as well as to enhance the vessels' ability to protect and conserve the environment.

### Some of the "Green" features of these new ships are:

1. Double Hull construction is utilized to minimize environmental pollution in case of accidental hull damage.
2. The vessels' hull form has been perfected after several rounds of careful design analysis using the latest technology, with a view to arrive at the most optimal combination of ship-size & shape to achieve the desired speed at minimum fuel consumption.
3. Engines fitted will be in compliance with Nitrogen oxide (NOx) emission standards.
4. Flush, box-type ship-sides for cargo holds - this will reduce accumulation of cargo residues in the holds, thereby reducing the need for harmful cleaning chemicals for removal of the same, since the holds can be cleaned using water only.
5. Deep-well sump pumps for Main Engine oil circulating system - this will reduce the overall quantity of lubricating oil required for the Main Engines, which will in due course reduce the quantities of waste oil.
6. Improved propeller design will reduce fuel consumption: Propeller boss cap fins - this is a new propulsion-enhancing technology to improve the efficiency of the propulsion system, which in turn reduces the fuel consumption and the overall emission of exhaust gas waste products.
7. Shaft generators will be fitted on all ships which will reduce fuel consumption for on board power generation.
8. Large capacity Incinerator compliant with IMO performance standards (capable of incinerating plastics if required).
9. The vessels will be fitted with large incinerators, well above the requirements of MEPC.76 (40) Standards, to burn waste and sludge. This will ably supplement the Company's garbage and waste management system which is already in operation on all of the Company's vessels.
10. Larger capacity Bilge water/sludge storage tanks - these will enable environmentally friendly waste disposal ashore by allowing more flexibility in selecting the best waste disposal facilities ashore separately for oily water and sludge.
11. Improved Sewage Treatment Plants are being installed on the ships.
12. Ships will be in compliance with IMO's "Ship Recycling Convention": The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, was adopted in May 2009. It is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risk to human health and safety or to the environment. Presently the Convention is open for accession by States. It will enter into force 24 months after the date on which 15 States, representing 40% of world merchant shipping by gross tonnage, have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the Secretary General. Furthermore, the combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3 percent of their combined merchant shipping tonnage. As it stands, all ships contracted for building before 2015 will need to comply by the year 2020. New ships contracted from 2015 need to comply upon delivery. Our new building contracts will ensure compliance with this requirement. We will also be preparing all existing vessels to meet the requirements before the deadline arrives. Vessels will be maintaining

an inventory of Hazardous material in compliance with the convention recommendation, specifically by prohibiting/restricting the use of hazardous materials at the ship construction stage. If any hazardous materials are used in the construction, a continuous inventory of the same will be maintained, so that all the vessels are eligible to apply for an International Certificate of Inventory of Hazardous Material.

A few significant developments in respect of new ship-design and construction are outlined below. As far as practically possible, the Company will take these into consideration while acquiring new ships in the future.

**Eco-friendly ships:** Shipping is one of the cleanest and greenest industries among all international industries. It is also an environmentally friendly and fuel-efficient industry. It is estimated that shipping carries roughly 90% of world trade, and yet, according to the latest figures from IMO, it is responsible for just 2.7% of global carbon dioxide emissions. Nevertheless, the shipping industry continues to look for ways to reduce that figure still further.

Shipping industry has not yet solved all its green issues; rather it is far from it. Present endeavors of the industry and the IMO are two-fold:

- For existing vessels: Adoption of a number of established “good management practices” to conserve and save fuel burned by ships.
- For new vessels: Use of improved hull designs and more fuel efficient engines and technology.

**Ballast Water Treatment:** Presently mid ocean ballast water exchange is permitted as means to get rid of unwanted species in the ballast water finding its way and damaging local species in another port. However, when the Ballast water management Convention enters into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage, ballast water on board need to be treated to achieve standards specified by IMO. As of Dec 2012, 36 member states comprising 29.07% of world tonnage have ratified the convention. This convention is expected to achieve the ratification status by early 2013, in which case compliance will be enforced after 12 months or in the year 2014.

As per IMO, all new vessels constructed from 1 Jan 2012 are required to comply at the time of the enforcement date in 2014. US environment law has slightly different requirement. Vessels constructed from 31 Dec 2012 need to comply from the time of ships delivery. Treatment equipment also need a separate approval from US coast guard. These tests could be more rigorous than the tests carried out for IMO compliance.

There are more than 70 systems under development or available on the market, giving shipowners a huge headache in selection. It is widely believed that some of these systems will drop out of the market, either because they will not achieve the IMO approval standards or the US ones.

All efforts outlined thus far will have no significant impact unless there is a firm commitment from management to reduce CO<sub>2</sub> emissions. Thus the following sections details what efforts are currently being undertaken to limit the Company’s CO<sub>2</sub> and waste output.

### **Carbon Footprint and Waste Generation:**

The most recognized and constant source of CO<sub>2</sub> comes from the burning of fuel oil onboard ships. In order to reduce CO<sub>2</sub> emission, the only alternative available is to reduce the fossil fuel burnt. But that is not possible without sacrificing growth and development. The need therefore is to achieve higher efficiency while reducing the quantity of fuel oil burnt, and the Company has taken the following steps to achieve this.

- Improved voyage planning with reduced/minimized ballast passage.
- Weather routing.
- Speed Optimization.
- Optimized ship handling by Trim, Ballast condition.
- Hull Maintenance.
- Use of improved Hull coatings like Silicon based anti-fouling that does not release biocides like other anti-fouling paints.
- Improved cargo handling.
- Good Engine Maintenance.

The Company has consciously opted to acquire larger ships, of 54,000 – 57,000 tons deadweight; these ships can carry almost twice the amount of cargo, i.e. 100% more, compared to smaller ships in the fleet. However, more importantly, the larger ships burn just about 40-45% more fuel than the smaller ships per day of sailing. On this basis, the fuel burnt per unit load of cargo reduces drastically; this is yet another example of the Company's efforts towards sustainability and to reduce the carbon footprint.

The Company's stated goal is to own approximately 60-70 ships in the near future, and as such the aim is to endeavor to reduce the fuel and diesel oil consumption on a progressive basis every year. To accomplish this, the Company continuously looks at new technologies available in the market and examines their applicability for our type & size of ships. Ship builders the world-over are actively marketing their vessels as 'eco friendly' and describing them with speed and consumption figures that were previously never achieved. The Company seriously evaluates all new developments, but realized that the builders' claims are often sensationalised to grab attention and when technical parameters such as calorific value of fuel, design and scantling draft and 'sea margins' are taken into consideration, the so-called benefits simply do not exist or they are not cost-effective. In any event, the Company looks very closely at the machinery installed on all new acquisitions, whether new buildings or second hand vessels, and monitor their performance very carefully to arrive at optimum speed and consumption variables, while ensuring that emissions are kept to a minimum.

Another source of harmful substances generated by our ship's consumption of fuel and diesel oil is sludge. Sludge is a product of 'on board' fuel oil purification and as an alternative to incinerating sludge and releasing even more harmful gasses into the environment. The Company has made a substantial effort to dispose of such material to shore based reception facilities. This is a much more expensive way for dealing with this issue but the Company is committed to reducing its carbon footprint and reflects the Company's efforts towards environmental conservation. Between 2011 and 2012, the Company increased the disposal of sludge ashore by 9% from 532 tons to 579 tons of sludge. This accounts for the highest quantity of sludge disposed ashore in recent years. By delivering sludge to a suitable reception facility, this waste can be recycled to make products like grease which is a lubricant widely used in multiple industries.

## Conclusion and Environmental Objectives and Goals

Having explained all facets of the Company's efforts to protect the environment this section concludes with a summary of all objectives put forward and how each will be monitored. Compliance with the ISM, ISPS and MARPOL codes will be monitored by the Company's internal audit team, and all initiatives subsequently employed to minimize violations will be subject to half-yearly reviews by the Company's senior management and technical team. As previously stated the target set by the Company's management is to have zero violations in 2012. Additionally, the Company will also strive to maintain our SQEMS ISO certification. The Company will constantly look for ways to improve the SQEMS and look to incorporate all new regulations into the initiative even before they become effective. Likewise, the Company will also constantly be on the lookout for newer technology that can be employed on our ships to reduce our environmental impact. And finally, given the Company's rapid fleet expansion programme, the Company has set a highly ambitious target of a 3-5 percent reduction for fuel and diesel oil consumption.

**We are happy to report that the Company's Annual Report this year is printed on recycled paper, our token contribution to the conservation of the natural environment and in line with our stated desire to reduce our carbon footprint.**



## SIGNIFICANT RISK FACTORS

The Company has classified the various risk factors the Company is exposed to into three categories viz. Operating Risk, Financial Risk and Market Risk. In view of the continued weakness in the Dry Bulk Shipping Market since the second half of 2008, the Company additionally identified and categorized a special risk associated with maintaining and expanding capacity, which has been classified as **“Capacity Replacement and Expansion Risk”**. Although the Company has made considerable progress this year in mitigating this risk, this has been retained this year also as the Company continues to be exposed to this risk until the Company’s stated objectives in this respect are fully achieved. Further, the Company remains exposed to the significant risk factors arising out of the Global Financial Crisis and its aftermath, exacerbated by the continued crisis in the Euro Zone, which are classified hereunder as **“Effect of Global Financial Crisis”**. The significant risk factors under each of these categories are explained as under:

### OPERATING RISK

The Company, as an owner and operator of ocean-going vessels operating without any geographical limitations is exposed to risks of marine disaster, environmental mishaps resulting in substantial claims, cargo/property loss or damage and business interruptions due to accidents or other events caused by mechanical failure, human error, political action in various countries, labor strikes, terrorist actions, piracy, adverse weather conditions and other such circumstances and events. This could result in increased costs or loss of revenues. However, to cover against most of these risks, which are standard for an International Ship owner/Operator, insurance covers are available in the international insurance industry. Accordingly, the Company is adequately covered against such aforesaid circumstances and events.

The operations of the Company depend on extensive and changing environment protection laws and other maritime regulations, non-compliance with which may entail the risk of detention of ships leading to loss of time which would lead to loss of revenues or claims from charterers, significant expenses including expenses for ship modifications and changes in operating procedures. However, the Company is vigilant on these issues and maintains internationally prescribed safety and technical standards.

The operations of ships and the management of the Company as a public company listed on the Stock Exchange of Thailand require skilled personnel to be employed as crew to operate its ships and managers at the corporate level with appropriate knowledge and experience. Sourcing and retaining such personnel is crucial for the business operations of the Company. This continues to remain a crucial risk factor especially in light of the rejuvenation plan for the Company. However, due to the adoption of fair and reasonable staffing policies, the Company has hitherto been quite successful in sourcing and retaining such highly skilled and qualified personnel. The Company continues to take a number of initiatives to attract and retain talent, and therefore does not expect any future cause for concern in this regard, although International Shipping is facing a shortage of qualified crew, particularly in the officers’ cadre, required on board the ships.

As a publicly listed company, the Company is required to comply with various laws and regulations and failure to comply with any one or more of such laws and/or regulations could expose the Company to penalties or other legal action against the Company and its senior management. The Company remains vigilant on this issue and has taken adequate steps to employ qualified staff and also adopted adequate and effective systems to ensure full compliance with all laws and regulations.

The Company is not directly exposed to any risk of increased costs due to fluctuations in international oil prices. Whenever the fuel costs are on the Company’s account (in case of a Voyage Charter), increase/decrease in oil price is passed on to the Customers since the freight rates are quoted and charged after incorporating the increased/decreased fuel cost. In case the business is done on a Time Charter, the fuel cost is directly on the Customer’s account.



## FINANCIAL RISK

Almost the entire Revenues and Expenses of the Company are denominated in US Dollars. Further, almost all the Fixed Assets of the Company, viz., ships are US Dollar based assets, since they are readily salable in US Dollars in the International market. Therefore, the Company is exposed to the risk of realising a Foreign Exchange loss in respect of its liabilities in any currency other than US Dollars. The US Dollar equivalent figure of such “Non-USD” denominated debt may increase or decrease with a fluctuation in the respective exchange rate. In recognition of this risk, the Company has attempted to maintain least possible exposure in other currencies and accordingly always maintained US Dollar denominated credit facilities and loans. As on 31<sup>st</sup> December 2012 the Company’s loans and Credit Facilities for financing the new ships ordered by the Company are in US Dollars only. However, due to the effect of the Global Financial Crisis and the inability of the Company’s Local Lenders to extend the loan in US Dollars in the beginning of 2009, one of the Company’s facilities originally denominated in US Dollars was converted into Thai Baht when the availability period of the facility was extended by one year. However, in recognition of this risk, the Company obtained commitment from the same Lenders to convert the Thai Baht liability into US Dollars through the use of a USD/THB Swap whereby the principal portion of the Loan is converted into US Dollars, thereby eliminating the Foreign Exchange risk associated with the loan principal. Accordingly, the liability against this facility of Thai Baht 1,502.35 million drawn for financing two vessels was immediately converted (swapped) to US Dollars with a matching amortization schedule to the Thai Baht Loan. The interest on the loan is payable in Thai Baht and to that extent, the Company continues to be exposed to this risk.

The Company also maintains almost all its Bank balances in US Dollars whereby there is no risk of realising any loss on these balances, in US Dollar terms. However, it must be noted that the Company is exposed to an exchange loss in Thai Baht terms on translation of its US Dollar denominated Assets, Liabilities, Income and Expenses, arising out of the Currency translation from US Dollars to Thai Baht in the Thai Baht Financial Statements.

The Company’s debt facilities carry interest at floating rates based on LIBOR (London Inter-Bank offered rate) and as such, the Company is exposed to fluctuations in its interest rates due to changes in the LIBOR. The Company monitors market interest rates regularly and remains vigilant on this issue. In this year (2012), the Company entered into an Interest rate Swap (IRS) whereby the Company’s Interest liability on a part of its Loans on a Loan amount of USD 64.82 million was converted from floating to fixed but since the Company is of the opinion that the Interest rates should not increase appreciably until Year 2014, the fixed rate would only be payable by the Company from Year 2015.

The Company’s Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be sold for onward trading or scrapped. This leads to a decrease in capacity as it has happened in the previous years when the Company had sold 35 ships out of its fleet of 54 ships, and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of its older scrapped (or sold) vessels. Purchase of ships requires considerable funding, which may be through equity or debt or both. If the Company is not able to raise the necessary funds required for the purchases of ships to maintain capacity, the Company’s Capacity will continuously deplete, and as such, the Company is exposed to a funding risk. However, in recognition of this risk, the Company has put in place credit facilities for acquisition of additional ships, which are available to the Company to purchase new (if delivered immediately) or second-hand.

## MARKET RISK

The shipping industry and market has been cyclical, experiencing volatility in profitability, vessel values and freight rates, resulting from changes in the supply of and demand for shipping capacity. This has been explained in the section on **“Nature of Business and Industry”** of this Report. The Company had traditionally marketed all its ships in the spot market and had therefore been exposed to market fluctuations and the cyclical nature of the business. The Company believes that with the majority of its assets being in the ‘niche’ small handy size sector of the industry there is a fundamental advantage of demand over supply hence there is some downside protection against the cyclical nature of the business. Traditionally clients in this sector of the market did not take ships on long term contracts and preferred to do the majority or all their business only on the spot market. This situation has of course changed in the last 5 to 6 years because of the increase in freight market volatility leading to a change in strategy of the Company as well as that of our clients. We can now fix a portion of the Company’s fleet on longer term charters, keeping the Company insulated somewhat from the volatility of the spot markets and ensuring visibility and stability in its revenue stream. However due to the soft market conditions this year, it has not been possible for the Company to fix most of the Company’s vessels on long term charters and to this extent the Company remains exposed to the volatile conditions of the freight markets.

The demand side of the Company’s business is generated by the quantity of cargo its vessels are required to transport. The generation of this demand is mainly dependent on World Trade and Economic Growth. Severe depression in Growth and Trade could reduce the demand for ships. The spurt in demand for dry bulk shipping capacity in the past 5/6 years has largely been driven by the demand from China (supplemented by India and countries in the Middle-East) which is importing commodities and raw materials in huge quantities for major infrastructure projects. If there is a significant reduction in the Demand from China, particularly in the next few years when a significant number of new ships have entered the market over the last few years (2009 – 2012), it could have an adverse impact on the overall demand/supply balance in Shipping Capacity, which could lead to a further fall in freight rates coupled with a fall in ship values. The Company had acquired a number of second hand ships at market values mainly in 2003 and a couple in 2004, and therefore, the Company was exposed to the risk of reduced earnings and/or fall in asset values if there had been a significant downturn in the market. This did not happen and the Company was able to generate substantial revenues and extremely good returns on its acquisitions. Further, in December 2006/first Quarter 2007, the Company sold 10 of its oldest vessels in the fleet with an average age greater than 26 years, at attractive sales prices which reduced the risk to a large extent as this risk is higher in respect of the older vessels. The Company also sold 25 of its oldest vessels in 2009-2010 at reasonably attractive prices and thereby avoided exposure of these older vessels to unemployment and/or very low rates in the spot market once their long term contracts had expired. In respect of revenues on the rest of the fleet, the Company attempted to continue its strategy to mitigate this risk for its fleet by entering into period charters or contracts for a longer period for most of its ships, wherever possible, whereby the Company was able to “lock-in” future earnings at higher freight rates. This was a significant change made in 2004 in the Company’s strategy of doing business, whereby the Company had deviated from its traditional policy of trading on the spot market with Voyage Charters and/or Time Charters of very short durations. During the year 2007, the market continued to move significantly higher until it reached a peak in the middle of the year 2008, after which the Industry witnessed a sharp drop in market rates to levels close to all time lows. There was a recovery in the dry bulk markets in 2009 from the second quarter and which lasted till the end of the second quarter of 2011 but the situation has since deteriorated because of the large supply of new vessels which have entered the market between 2009 and 2012. As expressed earlier, in the Company’s opinion, given the uncertainty and the extreme volatility in the market where rates can shoot up or collapse very quickly, it is always prudent to “lock-in” future earnings, at reasonable freight rates whenever possible, as a cushion against a sudden and, more particularly, sustained collapse of the freight rates in the spot market. This strategy had been vindicated with the Company’s earnings outperforming the market in the volatile market circumstances of the previous few years but as explained above, it has not been possible to book long term charters at reasonable rates in the present difficult conditions and it is expected that the Company shall remain exposed to the spot markets for some more time to come.

The above strategy exposes the Company to counterparty risk of its Customers. Pursuant to a fall in the market and consequent fall in freight rates, the Company's customers (Charterers) with whom the period charters are signed could default on their obligations, as a result of which, the Company will not be able to achieve the higher contracted freight rates and would be forced to contract these ships in a depressed market when rates would be lower. The Company is always conscious of counterparty risk associated with its period charters and accordingly takes steps in analysing the counterparty risk of its potential charterers, particularly those with whom the Company signs longer period charters, and such contracts (Charters) are signed only with first class charterers with the highest possible credibility. It is for this reason that right through the depressed market, the Company did not suffer any losses on account of defaults by the Company's Charterers and even during the current weak period, there has been no default by any of the Company's long term contracts.

The Company's ships ply in international waters quite evenly distributed all over the world without any concentration in any particular area. As such, the Company is not exposed to a risk of geographical concentration of the Company's market and its customers. Therefore, any major adverse change in the market conditions in any one particular area of the world due to war, political action, or any other reason shall not result in a significant drop in revenues.

The Company's revenues are generated from a number of customers and the Company is not dependent on any single customer for the majority of its business. As such, the Company is not exposed to any risk of concentration of its business with any one customer and any loss of business from one such customer shall not have any significant impact on the Company's business and will not result in sudden and significant loss of revenues.

## **CAPACITY REPLACEMENT AND EXPANSION RISK**

As explained above, the Company's Assets, i.e. ships, have a finite life and as and when the ships reach a certain age, they need to be sold or scrapped. This leads to a decrease in capacity and if the Company wants to maintain capacity in terms of fleet size, the Company has to continuously follow a program of replacement of its older scrapped (or sold) vessels. In about three years (2007- 2010) the Company sold 35 of its oldest vessels thereby reducing its Fleet size substantially. If the Company wishes to maintain capacity, a replacement of the sold ships has to be undertaken. Replacement of scrapped/sold ships could be achieved by purchase of second-hand ships from the open "Sale & Purchase" market. However, due to the boom in the International Shipping market in the past few years, the values (cost) of second-hand vessels were at unprecedented highs and the Company did not deem it prudent to be buying ships at such inflated values and expose itself to the risks of an impairment charge on its assets as a result of a fall in the market values of ships in case of a sustained downturn that appeared to have been triggered in the latter half of the year 2008. If the ship values had not fallen appreciably or in fact increased, although the Company may have wanted to replace all its scrapped/sold ships with younger and bigger ships, the Company may not have been able to buy enough second-hand (or new ships for immediate/early delivery) ships and the inability to buy reasonably priced ships exposed the Company to the risk that the Company could not replace its capacity as a result of the sale of the Company's very old ships. However, since the last quarter of the previous year (2011) the Company has been able to acquire new/second-hand vessels at reasonable values and it does appear that this risk of not being able to replenish or rejuvenate the Fleet is on its way to being reduced considerably, if not totally eliminated, in the immediate future.

Considering the prolonged period of high Ship Values, the Company attempted to mitigate the above Capacity Replacement risk, by entering into contracts for construction of new ships (newbuildings) in years 2007 and 2008 with ABG Shipyards at reasonable prices and specifications matching the Company's requirement and needs. This was done to ensure capacity replacement/expansion as and when the ships are delivered in accordance with the contracts. While the Operating and Market risks associated with the ships as and when delivered have been discussed above, the specific risks associated with the newbuilding contracts are summarized as under:

- **Risks associated with the Ship Builder:** The Company is exposed to a default risk by the Ship Builder in terms of adhering to delivery schedules and/or achieving the right quality of the ships whereby the ships may not be delivered for any reason or delivery of the ships is delayed and/or the ships delivered are not of the expected and contracted quality. The Company attempted to mitigate these risks by not only carefully evaluating the capacity of the Ship Builder in terms of meeting contracted delivery schedules and maintaining quality but also obtained bank guarantees to cover refund of pre-delivery installments and/or delay in deliveries apart from including stringent penalties in the contracts, both, for delays as well as departure from specified quality parameters. Further, the Company also appointed and deployed a team of highly qualified and experienced marine personnel to supervise the construction of the ships at the shipyard. In the event that one or more of the vessels are not delivered in time, the Company could sell/novate these Contracts as was done in the past 2 years or could cancel the respective Vessel's order in accordance with the Contracts, against which, there would not be any direct financial loss for the Company since all payments made would be refunded with Interest although the Company loses the opportunity of replacing capacity and earning revenues from the delayed/cancelled vessels and loses the Charter Contracts already signed specifically for the ordered Vessels, if any. However, the Company remains exposed to the counter-party risk of the Ship Builder and if the Ship Builder is unable to refund the installments paid by the Company, the Company would have to resort to making claims against the bank guarantees obtained from the Ship Builder and when these bank guarantees are honored, it is possible that the entire interest due on the installments may not be received. Similarly in case of a Novation, even if an interested New Buyer is found, it is possible that the New Buyer may default in the performance of the Novation Agreements and thereby the entire Novation Proceeds may not be received, in which case, once again, the Company will have to make claims against the bank guarantees received from the Ship Builder.
- **Risks associated with a Cyclical Industry:** The Company is exposed to the risk that when the newbuildings are delivered, or soon after acquiring a number of second-hand ships, the Shipping Market remains in a cyclical downturn for a sustained period and in such case, apart from a fall in the ship values, it may not be possible to charter out these ships at the expected rates which would lead to operating losses (including cash losses) for the Company. These losses or low rates achieved by the Company for a sustained period could lead to default by the Company to meet its debt obligations including a default of the financial covenants applicable to the Company under its various Debt facilities.

Further, if the newbuildings are delivered while the industry continues in the midst of this cyclical and prolonged downturn, the market values of the new ships would drop to levels much lower than cost and if this drop is considered permanent, it may expose the Company to an impairment charge in the Company's accounts and the Company may also default under the "Loan to Value" Covenant required to be maintained in accordance with the Loan Facility Agreement.

- **Risks associated with funding:** The Company was exposed to the risk that the funding required for the newbuildings could not be tied up through external sources in which case, the Company would have been forced to utilize internal operating cashflows for this purpose, which, may not have left sufficient or any excess cash for dividends or other capital expenditure. In order to mitigate this risk, the Company tied up credit facilities to fund the newbuilding contracts entered into by the Company in the year 2008 with ABG and have drawn against this facility for the pre-delivery Instalments as well as the post-delivery loans on 2 Vessels after their delivery. Further, the Company also has further unused credit facilities available to fund the second-hand ships to replace the old vessels sold by the Company.

## EFFECT OF GLOBAL FINANCIAL CRISIS

The most significant risk factors arising as a direct effect of the Global Financial Crisis on the Shipping Industry and consequently on the Company, are summarised as under:

- **Demand Loss Risk:** The financial crisis led to a closure or downsizing of a number of businesses and business units all over the developed world coupled with reduced access to Trade Finance, thereby affecting World Trade and resulting in a loss in demand for shipping services and consequent collapse in freight rates in 2008 and early 2009. Although there was a small recovery in demand in second half 2009 till the first half of 2011, the Company's strategy of signing longer term charters for the Company's ships at reasonably high rates, somewhat cushioned the Company's revenues from the effects of any sudden and appreciably large falls in Freight rates. However, with the continued crisis in the Euro Zone and the absence of appreciable Growth in US, it is now certain that demand growth will not be able to keep pace with the supply of new Vessels as evidenced from the sustained fall in the Freight markets in the last 5-6 quarters from the second half of 2011 onwards. In such a case the Company's revenues may be significantly affected because the Company is being forced to charter those ships, which are not chartered on long periods or those of which have expired, at very low rates on a sustained basis. Further, if the situation continues, the Company may be forced to scrap its ships which are not very old because of the absence of demand for such ships or because of its inability to charter these ships even at their respective break-even rates.
- **Counterparty Risk:** In case of a relapse of the Global Financial Crisis or its spread to other regions after the US and Europe, a number of Companies which are users of shipping services including the Companies' Customers or Charterers with whom the Company has signed longer term period charters at high rates may close down or become insolvent or face financial difficulties in the future, resulting in nonpayment of charter revenues to the Company and/or termination of the Charters. However, as explained hereinabove, the Company is conscious of the counter-party risk associated with its period charters and accordingly has taken steps in analysing the counter-party risk of its potential charterers, particularly those with whom the Company signed longer period charters, and such contracts (Charters) were signed only with first class charterers with the highest possible credibility.
- **Credit Crunch:** The Financial Crisis has led to a Credit crunch because of the risk aversion policy adopted by Global banks to bolster or maintain Capital reserves, whereby it is still extremely difficult to raise new debt from International Banks particularly European Banks which are the traditional Lenders to the Shipping Industry. If this situation continues further, the Company may not be able to raise new credit facilities or renew existing credit facilities required by the Company for capital expenditure, i.e. for purchase of ships to maintain or expand the Company's fleet of ships. However, to mitigate this risk, so far, the Company already has credit facilities in place to fund the newbuilding orders and has also renewed (extension of availability period) existing credit facilities to purchase additional second-hand vessels.



# MAJOR SHAREHOLDERS AND DIVIDEND POLICY STATEMENT

Major Shareholders per share register as on 31 <sup>st</sup> December 2012 and 2011					
No.	Name	As on 31 <sup>st</sup> December 2012		As on 31 <sup>st</sup> December 2011	
		No. of shares	Percentage	No. of shares	Percentage
	Globex Corporation Limited	266,625,206	25.65%	266,625,206	25.65%
	Ms. Nishita Shah	98,586,000	9.48%	98,586,000	9.48%
	Graintrade Limited	74,668,000	7.18%	74,668,000	7.18%
	Unistretch Limited	7,600,400	0.73%	7,600,400	0.73%
<b>1</b>	<b>* Total shares under control of Ms. Nishita Shah</b>	<b>447,479,606</b>	<b>43.04%</b>	<b>447,479,606</b>	<b>43.04%</b>
	Mr. Khalid Moinuddin Hashim (20,000 shares held at Securities Company included)	87,610,850	8.43%	87,610,850	8.43%
	Mr. Munir Moinuddin Hashim (1,728,000 shares held at Securities Company included)	94,567,850	9.10%	94,567,850	9.10%
<b>2</b>	<b>** Total shareholding of Hashim family</b>	<b>182,178,700</b>	<b>17.53%</b>	<b>182,178,700</b>	<b>17.53%</b>
3	Thai NVDR Limited	70,480,808	6.78%	61,974,538	5.96%
4	Group of "STATE STREET BANK"	26,492,530	2.55%	35,007,512	3.37%
5	Group of "BNP PARIBAS"	18,663,400	1.80%	29,886,300	2.87%
6	Group of "HSBC "	12,863,000	1.24%	10,550,000	1.01%
7	GEDRA ENTERPRISES INC	11,634,294	1.12%	11,634,294	1.12%
8	Group of "EAST FOURTEEN LIMITED"	10,528,900	1.01%	7,977,400	0.77%
9	Group of "GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION"	9,619,600	0.93%	9,154,200	0.88%
10	PICTET & CIE	9,619,000	0.93%	9,619,000	0.93%
11	Other shareholders (apart from the Top Ten shareholders as mentioned above)	239,960,762	23.08%	234,059,050	22.52%
<b>Grand total</b>		<b>1,039,520,600</b>	<b>100.00%</b>	<b>1,039,520,600</b>	<b>100.00%</b>
		<b>Total : 6,496 shareholders</b>		<b>Total : 6,330 shareholders</b>	

Note: \* Ms. Nishita Shah who is the Director of the Company is also the Director and Shareholder of Globex Corporation Limited, Graintrade Limited and Unistretch Limited

\*\* Mr. Khalid Moinuddin Hashim is the brother of Mr. Munir Moinuddin Hashim

## Dividend Policy Statement

"The Company's dividend policy approved by the Annual General Meeting of Shareholders No. 1/2004 dated 30<sup>th</sup> April 2004 is to pay out not less than 25% of Net Profits after taxes and appropriation to any reserves required by law. Upon approval by the Board of Directors, the annual dividend payout is to be presented to the shareholders' annual general meeting for approval. As regards the interim dividend, however, the Board is authorised to pay it and then report the payout at the next shareholders' general meeting."



# MANAGEMENT STRUCTURE

## The Company has 5 Boards / Committees

1. The Board of Directors
2. The Executive Board of Directors
3. The Audit & Corporate Governance Committee
4. The Remuneration Committee
5. The Nomination Committee

## ELECTION OF THE BOARD OF DIRECTORS

The election of Directors is conducted by the meeting of shareholders. Each shareholder has one vote per share and each shareholder exercises all votes applicable in appointing one or more persons to be a Director. The candidates are ranked in descending order from the highest number of votes to the lowest, and are appointed as Directors in that order until the Director positions are filled. Where the votes for candidates are tied, which would otherwise cause the number of directors to be exceeded, the Chairman has the casting vote.

### 1. THE BOARD OF DIRECTORS

There are 12 Directors on the Board of Directors of the Company which consists of

- 9 Non-Executive Directors 5 of whom are Independent Directors.
- 3 Executive Directors.

**The Board of Directors' members as of 31<sup>st</sup> December 2012 are as follows:**

Director's Name	Position	Appointment Date
1. Mr. Thira Wipuchanin	The Chairman of the Board of Directors, Independent Director	26 <sup>th</sup> March 2012
2. Mr. Khalid Moinuddin Hashim	Managing Director	26 <sup>th</sup> March 2012
3. Mr. Munir Moinuddin Hashim	Executive Director	14 <sup>th</sup> March 2011
4. Mr. Khushroo Kali Wadia	Executive Director	14 <sup>th</sup> March 2011
5. Mr. Jaipal Mansukhani	Director	14 <sup>th</sup> March 2011
6. Mr. Suphat Sivasriamphai	Independent Director	14 <sup>th</sup> March 2011
7. Ms. Nishita Shah	Director	26 <sup>th</sup> March 2012
8. Mr. Kirit Shah	Director	26 <sup>th</sup> March 2012
9. Mr. Chaipatr Srivisarvacha	Independent Director	14 <sup>th</sup> March 2011
10. Associate Professor Pavida Pananond, Ph. D.	Independent Director	14 <sup>th</sup> March 2011
11. Mr. Kamtorn Sila-On	Independent Director	14 <sup>th</sup> March 2011
12. Mr. Ishaan Shah	Director	14 <sup>th</sup> March 2011

### **Powers, duties and responsibilities of the Board of Directors are as follows:**

1. The Board of Directors performs its duties in conformity with applicable laws, and carries on the business of the Company in accordance with the laws, the Company's objectives and the articles of association as well as the resolutions of the shareholders' meetings. The Board of Directors is authorized to carry out the Company's activities as prescribed in the memorandum or those related thereto under the Public Limited Companies Act B.E. 2535. The Board of Directors is responsible to the Company's shareholders. Each Director represents all shareholders and takes part in supervisory and regulatory functions in the Company's operations, in an independent and impartial manner, for the benefit of all shareholders and other stakeholders.
2. The Directors, in their business conduct, are expected to generally act with care to preserve the interest of the Company.
3. The Board of Directors or the Shareholders at their meeting is entitled to designate the authorized Directors to bind the Company and accordingly, any two of the following with the Company's Seal are the present authorized signatories:
  1. Mr. Khalid Moinuddin Hashim
  2. Mr. Munir Moinuddin Hashim
  3. Mr. Khushroo Kali Wadia
4. The Board of Directors is inter alia authorized to sell or mortgage any of the Company's immovable properties, to let any of the Company's immovable properties for the period more than three years, to make a gift, to compromise, to file complaints to the Court and to submit the dispute to the Arbitration.
5. Approve the Mission Statement, Vision, Values and Code of Business Conduct.
6. Review and discuss Management's proposed strategies and options and approve major decisions in respect of the Company's business direction and policies. The Board of Directors also reviews and approves the Business and performance goals proposed by the Management.
7. Monitor the Company's performance and progress toward achieving set objectives as well as compliance with the laws, regulations and related policies.
8. Ensure the existence of an effective internal control system and appropriate risk management framework.
9. Ensure an effective audit system executed by both internal and external auditors.
10. Approve quarterly and annual financial reports to ensure that the reports are prepared under generally accepted applicable accounting standards.
11. Ensure that the Company has a proper system in place to communicate effectively with all stakeholders and the public.
12. Define policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
13. Define policy and guidelines for good corporate governance and ensure that the duties and responsibilities of Directors and the management comply with Corporate Governance principles.
14. Define policy and guidelines to implement Corporate Social Responsibility.

## 2. THE EXECUTIVE BOARD OF DIRECTORS

The following 3 directors are appointed by the Board of Directors as the Executive Directors on the Executive Board of Directors.

Name	Position
1. Mr. Khalid Moinuddin Hashim	Managing Director
2. Mr. Munir Moinuddin Hashim	Director (Commercial)
3. Mr. Khushroo Kali Wadia	Director (Finance)

**Powers, duties and responsibilities of the Executive Board of Directors are summarized hereunder:**

1. To manage the Company's business under the resolutions / regulations of the Board of Directors.
2. To execute any agreements / contracts binding the Company the terms and conditions of which must be in their scope of authority vested by the Board of Directors. Such agreements / contracts must be affixed with signatures of any two Executive Directors together with the Company's seal.
3. To generally act on behalf and in the interest of the Company and its subsidiaries as may be required to carry on the business.
4. The Executive Board of Directors shall report on the business operations conducted by the Executive Board to the Board of Directors for acknowledgement and discussions. However, policy-related issues, or issues likely to have significant and major impact on the Company's business, or issues requiring action by the Board of Directors in compliance with laws, or the Company's Articles of Association, must be approved by the Board of Directors. This also includes issues for which the Executive Board of Directors considers it appropriate to seek the approval of the Board of Directors on a case-by-case basis, or per the criteria designated by the Board of Directors.
5. Prepare and review strategic objectives, financial plans and key policies of the Company, to be submitted to the Board of Directors for approval.
6. Review management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval to the Board of Directors.
7. Appoint, monitor and evaluate the performance of employees from the level of department head down to middle managers.
8. Monitor and report on the Company's operating results to the Board of Directors as well as on other work in progress to achieve the Company's objectives.
9. Communicate with external stakeholders, per designated authority, and as deemed appropriate.
10. Prepare and review policy and guidelines for risk management and monitor the management to ensure the efficiency of risk management system.
11. Prepare and review policy and guidelines for good Corporate Governance and guidelines to implement Corporate Social Responsibility.

## 3. THE AUDIT & CORPORATE GOVERNANCE COMMITTEE

The Audit & Corporate Governance Committee has been appointed by Board of Directors with the objective of having a mechanism to assist the Board independently in accordance with the regulations and the recommendations in respect of Good Corporate Governance, to give an opinion of the accuracy of the Company's Financial Statements and their credibility and transparency, to encourage the good corporate governance including coordination with the Board of Directors for risk management and internal control systems in the Company. This is expected to create efficiencies in operations and also provide for an independent check on the functioning of the Management of the Company including checks on conflict of interest issues and connected party transactions, if any.

The Board of Directors has appointed the Audit Committee since 24<sup>th</sup> August 1998 with the term of 2 years for each member. Thereafter on 3<sup>rd</sup> February 2012 the Board has resolved to amend the name of Audit Committee from Audit Committee to “Audit & Corporate Governance Committee” since the existing roles and responsibilities of the Audit Committee of the Company include Corporate Governance also and in also to ensure that the Audit & Corporate Governance Committee emphasizes consistently on the compliance of relevant regulations and continue the development of Corporate Governance of the Company. The current Audit & Corporate Governance Committee Members are as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Suphat Sivasriumphai *, **	Chairman of the Audit & Corporate Governance Committee	Independent Director	2 Years
2. Mr. Kamtorn Sila-on **	Audit & Corporate Governance Committee Member	Independent Director	2 Years
3. Associate Professor Pavida Pananond, Ph. D. **	Audit & Corporate Governance Committee Member	Independent Director	2 Years

\* Mr. Suphat Sivasriumphai, Chairman of Audit & Corporate Governance Committee, was reappointed by resolution of the Board of Directors in the Board Meeting No. 3/2012 held on 6<sup>th</sup> August 2012.

\*\* Each of the above three Audit & Corporate Governance Committee members has knowledge and experience in accounting and financial field and details of the experience have been presented in the “Board of Directors - Profile” section of this Annual Report.

**The Audit & Corporate Governance Committee is responsible for reviewing and reporting the following matters to the Board of Directors.**

1. To review the Company’s financial reporting process to ensure accuracy with adequate and complete disclosure.
2. To ensure that the Company has an appropriate and efficient internal control system subject to internal audit and to also ensure that there is an efficient internal audit system in place and to ensure the independence of internal audit department, including approval of the selection, promotion, rotation or termination process of the internal audit head.
3. Review risk management system of the Company and recommend improvements on a regular basis.
4. Review guidelines for the Company’s Corporate Governance as compared with those of International organizations and present its recommendations to the Board of Directors.
5. To review the performance of the Company to ensure compliance with the securities and exchange law, regulations of the Exchange and other laws relating to the business of the Company.
6. To select and nominate for the shareholders’ approval, the external auditor of the Company, including recommendation of remuneration of the external auditor after considering the independence of the external auditor and to freely discuss significant matters, the Audit & Corporate Governance Committee shall meet privately with the external auditor at least once a year, without the management team being present.
7. To review connected party transactions that may lead to conflict of interest to comply with all related rules and to ensure the transactions are reasonable and for the full benefit of the Company and to ensure accurate and complete disclosure of the same.

8. To prepare a report on the monitoring activities of the Audit & Corporate Governance Committee, in accordance with the required details per SET regulations and disclose it in the annual report, such report to be signed by the Chairman of the Audit & Corporate Governance Committee.
9. To perform any other acts as delegated by the Board of Directors and accepted by the Audit & Corporate Governance Committee.

#### 4. THE REMUNERATION COMMITTEE

The Remuneration Committee has been appointed by the Board of Directors as a mechanism to assist the Board in independently proposing the criteria of and setting guidelines for the Remuneration of Directors and Senior Management and to propose the remuneration of the Board of Directors who will then act (accept fully, partially or reject totally) in accordance with the regulations and good governance practices based on the recommendations made by the Remuneration Committee. The Board of Directors is not empowered to fix the Remuneration of the Directors but is required to place their recommendations on the same to the shareholders for their approval.

The Board of Directors appointed the Remuneration Committee in their meeting held on 15<sup>th</sup> November 2007, which consists of 3 Directors as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Kamtorn Sila-on	Chairman of the Remuneration Committee	Independent Director	2 Years
2. Associate Professor Pavida Pananond, Ph. D.	Remuneration Committee Member	Independent Director	2 Years
3. Mr. Kirit Shah	Remuneration Committee Member	Director	2 Years

For the year 2012, in performing its role as assigned by the Board, the remuneration committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. One meeting was held during the year with 100% attendance.

#### **Duties and Responsibilities of the Remuneration Committee.**

The Remuneration Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out compensation guidelines for Directors and Senior Management and propose the same to the Board of Directors.
2. Propose the Directors' Remuneration for the Board to make its recommendations and express its opinion for approval in shareholders' meeting.
3. Update the Board of Directors about compensation norms being followed by Companies in Thailand and abroad.
4. Other specific jobs assigned by the Board of Directors.

## 5. THE NOMINATION COMMITTEE

The Nomination Committee has been appointed by the Board of Directors in order to set up a mechanism to assist the Board to independently propose the criteria and set guidelines for nomination of new Directors and recruitment and selection of Senior Management and thereafter propose to the Board of Directors who could then consider the proposal and decide to accept or reject the same or amend it for further approval by shareholders if required (for the appointment of Directors).

The Board of Directors appointed the Nomination Committee in their meeting held on 15<sup>th</sup> November 2007, which consists of 3 Directors as follows:

Name	Position	Status	Duration on the Committee
1. Mr. Chaipatr Srivisarvacha	Chairman of the Nomination Committee	Independent Director	2 Years
2. Mr. Suphat Sivasriamphai	Nomination Committee Member	Independent Director	2 Years
3. Mr. Kamtorn Sila-on	Nomination Committee Member	Independent Director	2 Years

For the year 2012, in performing its roles as assigned by the Board, the nomination committee put in its best efforts with due care, prudence, independence, and thoroughness in compliance with its mandate. Two meetings were held during the year with 100% attendance.

### Duties and Responsibilities of the Nomination Committee

The Nomination Committee is responsible for duties assigned by the Board of Directors as follows:

1. Set out selection and nomination guidelines of appropriate persons and propose the same to the Board of Directors.
2. Review the Board structure and propose a succession plan for Directors and Senior Management.
3. Propose to the Board, names of potential candidates for appointment as Directors.
4. If requested by the Board of Directors, assist in the process of review of performance of Directors.
5. Prepare specific reports on latest trends and practices in the appointment of the Directors and Senior Management for consideration by the Board of Directors.
6. Other jobs assigned by the Board of Directors.

## 6. COMPANY SECRETARY

In keeping with good Corporate Governance, the Company designated a Company Secretary viz. Ms. Somprathana Thepnapaplern, having duties and responsibilities in accordance with the Securities and Exchange Act and to be responsible for overseeing and advising the Board and the Management regarding applicable laws, rules, regulations and good Corporate Governance, and responsible for holding the Board and Shareholders' meetings. The additional tasks include assisting the Board to comply with resolutions and safeguard the Company's documents and information.



# BOARD OF DIRECTORS - PROFILE

## MR. THIRA WIPUCHANIN

<b>POSITION</b>	Chairman of the Board of Directors / Independent Director
<b>AGE</b>	63 years
<b>EDUCATION</b>	B.Sc. in Economics and Business Administration, University of Wisconsin - Stevens Point, U.S.A.
<b>TRAINING</b>	
• 2005	Attended training course on the topic "Audit Committee Program" (ACP) held by Thai Institute of Directors (IOD).
• 2001	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 6/2001.
<b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>	
• 2008 - March 2011	Chairman of the Audit Committee, Precious Shipping Public Company Limited.
• 2005 - Present	Chairman of the Audit Committee, United Palm Oil Industry Public Company Limited.
• 2003 - Present	Audit Committee Member, Siam Makro Public Company Limited.
• Present	Chairman of the Audit Committee, Bangkok First Investment & Trust Public Company Limited.
<b>OTHER EXPERIENCE</b>	
• 2000 - Present	Director, Precious Shipping Public Company Limited.
• 2000 - 2003	Senior Executive Vice President, Export - Import Bank of Thailand. Director, Sanyo Universal Electric Public Company Limited. Treasurer, The Community Support Foundation, Thailand. Member, Company Establishment Preparatory Committee / T.O.T. and C.A.T. Member, Company Establishment Preparatory Committee / P.T.T. Board member, Capital Market Opportunity Center / SET.
• 1994 - 1997	Senior Vice President, Premier Group of Companies.
• 1990 - 1994	Thailand Representative, Prudential Asset Management Asia Limited.
• 1975 - 1990	Vice President (Investment), American International Assurance Company Limited.
• 1974 - 1975	Business Loan Manager, Commercial Credit Corporation (Thailand) Limited.
• 1973 - 1974	Served the Royal Thai Army.
<b>OCCUPATION</b>	Company Director.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	4 Companies : 1. Chairman of the Board of Directors, Chairman of the Audit Committee, Independent Director, Nomination Committee Member and Remuneration Committee Member, United Palm Oil Industry Public Company Limited. 2. Independent Director, Audit Committee Member, Nomination and Remuneration Committee Member, Siam Makro Public Company Limited. 3. Chairman of the Audit Committee, Independent Director, Nomination and Remuneration Committee Member, Bangkok First Investment & Trust Public Company Limited. 4. Chairman of the Board of Directors and Independent Director, Interhides Public Company Limited.
• NON - LISTED COMPANIES	Nil
• CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
• OTHER ORGANISATIONS	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. SUPHAT SIVASRIAUMPHAI

<b>POSITION</b>	Chairman of the Audit and Corporate Governance Committee* / Independent Director / Nomination Committee Member
<b>AGE</b>	66 years
<b>EDUCATION</b>	Assumption Commercial College.
<b>TRAINING</b>	Working/training & Experience with many joint venture companies including large Japanese, American and Indian companies.
• 2006	Completed "Director Accreditation Program" (DAP), Class 57/2006 of Thai Institute of Directors (IOD).
<b>EXPERIENCE TO REVIEW CREDITABILITY OF THE FINANCIAL STATEMENTS</b>	
• March 2011 - Present	Chairman of the Audit and Corporate Governance Committee, Precious Shipping Public Company Limited.
• 1998 - 2011	Audit Committee Member, Precious Shipping Public Company Limited.
<b>OTHER EXPERIENCE</b>	
• 1989 - Present	Director, Precious Shipping Public Company Limited.
• 2007 - 2011	President, India - Thai Chamber of Commerce (2 terms).
<b>OCCUPATION</b>	Managing family owned companies.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	Nil
• NON - LISTED COMPANIES	3 Companies : 1. Managing Director, Thai Filament Textiles Company Limited. 2. Managing Director, Thai Ambica Chemicals Company Limited. 3. Managing Director, Rembrandt Hotel Corporation Limited.
• CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
• OTHER ORGANISATIONS	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	800,000 shares (0.08% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

\* Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.

## MR. KHALID MOINUDDIN HASHIM

<b>POSITION</b>	Managing Director / Executive Director
<b>AGE</b>	59 years
<b>EDUCATION</b>	Master's Degree in Management Studies specializing in Finance, University of Bombay.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.
<b>EXPERIENCE</b>	
• 1991 - Present	Managing Director, Precious Shipping Public Company Limited.
• 1984 - 1991	Head of Shipping Department, Geepee Corporation Limited.
• 1979 - 1983	Senior Executive, Pan Ocean Navigation & Trading Pte. Ltd.
<b>OCCUPATION</b>	Managing Director and Executive Director, Precious Shipping Public Company Limited.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	Nil
• NON - LISTED AND CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	59 Companies : Director in the Company's 59 subsidiaries (Subsidiary Companies Nos. 1 - 59 on page 9 - 10 of this Annual Report)
• OTHER ORGANISATIONS	3 Organisations : 1. Deputy Chairman of the Board of Directors, The Swedish Club, Sweden. 2. Regional Committee Member, American Bureau of Shipping. 3. Austral - Asia Regional Committee Member, Bureau Veritas.
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	87,610,850 shares (8.43% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. MUNIR MOINUDDIN HASHIM

<b>POSITION</b>	Director / Executive Director
<b>AGE</b>	57 years
<b>EDUCATION</b>	Master's Degree in Management Studies specializing in Marketing, University of Bombay.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.
<b>EXPERIENCE</b>	
• 1991 - Present	Director (Commercial), Precious Shipping Public Company Limited.
• 1986 - 1991	Head of Operations, Geepee Corporation Limited.
• 1981 - 1985	Head of Commercial Operations, Maldives Shipping Limited.
<b>OCCUPATION</b>	Director (Commercial) and Executive Director, Precious Shipping Public Company Limited.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	Nil
• NON - LISTED AND CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	58 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos. 1 - 58 on page 9 - 10 of this Annual Report)
• OTHER ORGANISATIONS	1 Organisation : Director, UK Defence Club, U.K.
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	94,567,850 shares (9.10% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. KHUSHROO KALI WADIA

<b>POSITION</b>	Director / Executive Director
<b>AGE</b>	49 years
<b>EDUCATION</b>	Bachelor's Degree in Science, University of Bombay. Chartered Accountant, Institute of Chartered Accountants of India.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 64/2005.
<b>EXPERIENCE</b>	
• 1999 - Present	Director (Finance), Precious Shipping Public Company Limited.
• 1994 - 1999	Director (Finance & Accounts), Maxwin Group of Companies.
• 1997 - 1998	Vice President (Finance & Administration), Suretex Limited.
• 1990 - 1994	Financial Controller, Maxwin Group of Companies.
• 1988 - 1990	Assistant Manager, A.F. Ferguson & Co.
<b>OCCUPATION</b>	Director (Finance) and Executive Director, Precious Shipping Public Company Limited.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	1 Company : Director, Christiani & Nielsen (Thai) Public Company Limited.
• NON - LISTED AND CONNECTED* COMPANIES	2 Companies : 1. Director, Maxwin Builders Ltd.* (Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively) 2. Director, The Atrium Hotel Ltd.
* Note : Please refer to "CONNECTED TRANSACTIONS" on page 231 of this Annual Report.	
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	59 Companies : Director in the Company's subsidiaries (Subsidiary Companies Nos. 1 - 59 on page 9 - 10 of this Annual Report)
• OTHER ORGANISATIONS	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	745,100 shares (0.07% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. JAIPAL MANSUKHANI

<b>POSITION</b>	Director
<b>AGE</b>	62 years
<b>EDUCATION</b>	Directorate of Marine Engineering Training 1967 - 1971.
<b>TRAINING</b>	
• 2005	Graduate member of Thai Institute of Directors (IOD) - Completed. "Directors Certificate Program" (DCP), Class 64/2005.
<b>EXPERIENCE</b>	
• 1993 - Present	Director, Precious Shipping Public Company Limited.
• 1988 - 2001	Technical Manager, Great Circle Shipping Agency Limited.
• 1985 - 1987	Deputy Engineer Superintendent, Scindia Steam Navigation Limited.
• 1981 - 1984	Assistant Engineer Superintendent, Scindia Steam Navigation Limited.
• 1977 - 1981	Chief Engineer, Scindia Steam Navigation Limited.
• 1971 - 1976	Marine Engineer, Scindia Steam Navigation Limited.
<b>OCCUPATION</b>	Director, Precious Shipping Public Company Limited. Director, Great Circle Shipping Agency Limited. (Company's subsidiary)

### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES Nil
- NON - LISTED COMPANIES AND CONNECTED COMPANIES Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)
  - 2 Companies : 1. Director, Great Circle Shipping Agency Limited.
  - 2. Director, Precious Projects Pte. Limited, Singapore.
  - (Subsidiary Companies Nos. 37 and 51 on page 10 of this Annual Report)
- OTHER ORGANISATIONS
  - 4 Organisations : 1. Member, Regional Committee, Nippon Kaiji Kyokai.
  - 2. Member, Regional Technical Committee, American Bureau of Shipping.
  - 3. Member, Regional Committee, Lloyds Register of Shipping.
  - 4. Member, Regional Technical Committee, Bureau Veritas.

<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	270,000 shares (0.03% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	10,000 shares

## MISS NISHITA SHAH

<b>POSITION</b>	Director
<b>AGE</b>	32 years
<b>EDUCATION</b>	Bachelor of Science in Business Administration; concentration in Finance and Business Law, Boston University, School of Management.
<b>TRAINING</b>	
• 2007	Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP) Class 83/2007.
• 2006	Completed "Director Accreditation Program" (DAP), Class 57/2006 of Thai Institute of Directors (IOD).
• 2004	Completed "Anatomy of Shipping" course, Seatrade Academy/Cambridge Academy of Transport.
<b>EXPERIENCE</b>	
• 2002 - Present	Director, Precious Shipping Public Company Limited.
<b>OCCUPATION</b>	Management, GP Group of Companies.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	Nil
• NON - LISTED AND CONNECTED* COMPANIES	
7 Companies :	<ol style="list-style-type: none"> <li>1. Director, Globex Corporation Limited.</li> <li>2. Director, Graintrade Limited.</li> <li>3. Director, Unistretch Limited.* (Lessor of the main operations office space leased by the Company)</li> <li>4. Director, Ambika Tour Agency Limited.* (Seller of air-tickets to the Company)</li> <li>5. Director, Geepee Air Service Limited.* (Seller of air-tickets to the Company)</li> <li>6. Director, Maxwin Engineering Limited.* (Provider of maintenance and management services for the air-conditioning systems of Company's main operations offices and apartments owned by a subsidiary)</li> <li>7. Director, Maestro Controls Limited.* (Provider of maintenance and management services for the air-conditioning systems of Company's main operations offices and apartments owned by a subsidiary)</li> </ol>
* Note : Please refer to "CONNECTED TRANSACTIONS" on page 230 - 231 of this Annual Report.	
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	
37 Companies :	Director in the Company's subsidiaries (Subsidiary Companies Nos.1 - 37 on page 9 - 10 of this Annual Report)
• OTHER ORGANISATIONS	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	98,586,000 shares (9.48% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. KIRIT SHAH

<b>POSITION</b>	Director / Remuneration Committee Member
<b>AGE</b>	59 years
<b>EDUCATION</b>	Bachelor's Degree in Commerce from H.R. College of Commerce, Bombay, India.
<b>TRAINING</b>	

- 2005 Graduate member of Thai Institute of Directors (IOD) - Completed "Directors Certificate Program" (DCP), Class 57/2005.

### EXPERIENCE

- 2007 - Present Director, and Remuneration Committee Member, Precious Shipping Public Company Limited.
- 1999 - 2003 Vice Chairman and Executive Director, Phoenix Pulp and Paper PCL, Bangkok.
- 1989 - 2002 Director, Precious Shipping PCL, Bangkok.
- 1980 - 2003 Managing Director, G. Premjee Ltd., Bangkok.

### OCCUPATION

Company Executive.

### DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES 1 Company : Director & Vice-Chairman, Christiani & Nielsen (Thai) Public Company Limited.
- NON - LISTED AND CONNECTED\* COMPANIES 6 Companies :
  1. Director, Globex Corporation Limited.
  2. Executive Director, Graintrade Limited.
  3. Director, Premthai International Limited.
  4. Director, Unistretch Limited.\*  
(Lessor of the main operations office space leased by the Company)
  5. Director, Maxwin Builders Ltd.\*  
(Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)
  6. Director, Maestro Controls Limited.\*  
(Service provider of management of the offices leased and apartments owned by the Company and its subsidiary respectively)

\* Note : Please refer to "CONNECTED TRANSACTIONS" on page 230 - 231 of this Annual Report.

#### • OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)

- 2 Companies :
  1. Director, Southern LPG Limited, India
  2. Director, International Seaports (Haldia) Private Limited, India  
(Subsidiary Company No. 59 and Associated Company No. 60 on page 10 of this Annual Report)

#### • OTHER ORGANISATIONS

Nil

### NO. OF SHARES HELD AS OF YEAR END 2012

Nil

### INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012

Nil



## MR. CHAIPATR SRIVISARVACHA

<b>POSITION</b>	Chairman of Nomination Committee / Independent Director
<b>AGE</b>	53 years
<b>EDUCATION</b>	
• 1984	Illinois Benedictine College, MBA (Finance).
• 1981	Lehigh University, Bachelor of Science (Metallurgy).
<b>TRAINING</b>	
• 2003	Diploma, Directors Certification Program (DCP), Thai Institute of Directors Association (IOD).
• 2005	Certificate, Chairman 2000, Thai Institute of Directors Association (IOD).
<b>EXPERIENCE TO REVIEW CREDITIBILITY OF THE FINANCIAL STATEMENTS</b>	
• 2003 - Present	Independent Director and Audit Committee, The Brooker Group Public Co. Ltd.
• 2010 - November 2011	Independent Director and Chairman of the Audit Committee, Dhanarak Asset Development Company Limited.
• 2001 - 2007	Independent Director and Audit Committee, Thanachart Bank Public Company Limited.
<b>OTHER EXPERIENCE</b>	
• June 2012 - Present	Director, Thailand Futures Exchanges Public Company Limited.
• May 2012 - Present	Governor, The Stock Exchange of Thailand.
• March 2011 - Present	Independent Director and Chairman of Nomination Committee, Precious Shipping Public Company Limited.
• 2009 - Present	Executive Chairman and Chief Executive Officer, KT ZMICO Securities Company Limited.
• 2007 - Present	Executive Chairman and Chief Executive Officer, Seamico Securities Public Company Limited.
• Present	Director and Secretary, The Srivisarvacha Foundation.
• Present	Director, Population and Community Development Association (PDA).
• 2004 - 2009	Director (Independent), G Steel Public Company Limited.
• 2003 - 2008	President of the Board, New International School of Thailand (Affiliated with United Nations).
• 2003 - 2007	Chairman of the Board, EQHO Communications Limited.
• 1999 - 2007	Managing Partner, CapMaxx Company Limited.
• 1999 - 2003	Director (Independent), Pacific Assets Public Company Limited.
• 1999 - 2000	Advisor to the Chairman of the Board of Directors, The Telephone Organization of Thailand.
• 1999	Director and Executive Director, Krung Thai Bank Public Company Limited.
• 1995 - 1999	Director and Head of Thailand Investment Banking, Salomon Smith Barney.
• 1995 - 1999	Director, Phoenix Pulp & Paper Public Company Limited.
• 1993 - 1995	Deputy Managing Director, Premier Finance & Securities.
• 1991 - 1995	Director, Head of Thailand Investment Banking, Swiss Bank / SBC Warburg.
• 1989 - 1991	Manager, Thailand Private Banking, Lloyds Bank.
• 1988 - 1989	Manager, Investment Banking Department, Phatra Thanakit.
• 1985 - 1988	Business Development Officer, Industrial Finance Corporation of Thailand.
<b>OCCUPATION</b>	Executive Chairman and Chief Executive Officer, KT ZMICO Securities Company Limited.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	2 Companies : 1. Executive Chairman and Chief Executive Officer, Seamico Securities Public Company Limited. 2. Independent Director and Audit Committee Member, The Brooker Group Public Company Limited.
• NON-LISTED COMPANIES	2 Companies : 1. Executive Chairman and Chief Executive Officer, KT ZMICO Securities Co. Ltd. 2. Director, Thailand Futures Exchanges Public Company Limited
• CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
• OTHER ORGANISATIONS	3 Organisations : 1. Director and Secretary, The Srivisarvacha Foundation. 2. Director, Population & Community Development Association (PDA). 3. Governor, The Stock Exchange of Thailand.
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## ASSOCIATE PROFESSOR PAVIDA PANANOND, Ph.D.

<b>POSITION</b>	Independent Director / Audit and Corporate Governance Committee Member* / Remuneration Committee Member
<b>AGE</b>	45 years
<b>EDUCATION</b>	
• 2001	Doctor of Philosophy, Department of Economics, University of Reading, United Kingdom.
• 1992	Master of Business Administration (International Business), Diploma in Management (Asian Studies), McGill University, Canada.
• 1989	Bachelor of Accountancy (Accounting), Chulalongkorn University.
<b>TRAINING</b>	
• 2011	Director Certificate Program (DCP 148) by Institute of Directors (IOD).
• 2012	Audit Committee Program (ACP 41) by Institute of Directors (IOD).
<b>AWARDS AND SCHOLARSHIPS</b>	
• 2009 - 2012	Thailand Research Fund Grant Number 5280032 (Competitive Strategies of Thai Multinationals in the Global Economy).
• 2008	Best Teacher Award, Thammasat Business School, Thammasat University.
• 1996 - 2001	Doctoral scholarship from Thammasat Business School, Thammasat University.
• 1992 - 1994	MBA scholarship from Thammasat Business School, Thammasat University.
<b>EXPERIENCE</b>	
• March 2011 – Present	Independent Director, Audit and Corporate Governance Committee Member and Remuneration Committee Member, Precious Shipping Public Company Limited.
• 2010 - 2012	Department Head, Department of International Business, Logistics and Transport, Thammasat Business School, Thammasat University.
• 2006 - Present	Associate Professor, Thammasat Business School, Thammasat University.
• 2003 - 2006	Assistant Professor, Thammasat Business School, Thammasat University.
• 1992 - 2003	Lecturer, Thammasat Business School, Thammasat University.
<b>OTHER POSITIONS</b>	
• 2010 - Present	Member of Advisory Board, Euro-Asia Management Studies Association.
• 2009 - Present	Member of Editorial Advisory Board, Southeast Asia Research.
<b>OTHER EXPERIENCE</b>	
• 2010	Narrator for TV commercials.
<b>OCCUPATION</b>	University Professor.
<b>DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS</b>	
• LISTED COMPANIES	Nil
• NON-LISTED COMPANIES	Nil
• CONNECTED COMPANIES	Nil
• OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES)	Nil
• OTHER ORGANISATIONS	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

\* Note : Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.

## MR. KAMTORN SILA-ON

<b>POSITION</b>	Chairman of Remuneration Committee / Independent Director / Audit and Corporate Governance Committee Member* / Nomination Committee Member
<b>AGE</b>	42 years
<b>EDUCATION</b>	
• 1995 - 1997	MIT Sloan School, Massachusetts, USA Master of Business Administration; Financial Engineering Track GPA: 4.6/5.0.
• 1988 - 1992	Imperial College of Science Technology and Medicine, London, England Master of Engineering; Chemical Engineering; Associate of the City and Guilds Institute Upper Second Class Honours.
<b>TRAINING</b>	
• 2008	Completed Executive Development Program (EDP) by the Capital Markets Academy and Thai Listed Companies Association.
• 2011	Director Certification Program (DCP) by Institute of Directors (IOD).
• 2012	Audit Committee Program (ACP) by Institute of Directors (IOD).

## EXPERIENCE

- March 2011- Present Independent Director, Chairman of Remuneration Committee, Audit and Corporate Governance Committee Member, and Nomination Committee Member, Precious Shipping Public Company Limited.
- 2011 - Present Deputy Managing Director, Head of Private Client Investment Management Group, Bualuang Securities Plc., Bangkok, Thailand.
- 2004 - 2011 Deputy Managing Director, Co-head of Investment Banking, Bualuang Securities Plc., Bangkok, Thailand.
- 1999 - 2004 Senior Vice President, Investment Banking Asset Plus Securities Plc., Bangkok, Thailand.
- 1997 - 1999 Associate, Global Investment Banking Chase Securities, Inc., New York, USA and Singapore.
- 1994 - 1995 Analyst, Investment Banking Dept. SCB Securities Co., Ltd., Bangkok, Thailand.
- 1992 - 1994 Manager, Money Market Dept. Tisco Plc., Bangkok, Thailand.

## OCCUPATION

Private Fund Management Executive of Bualuang Securities Plc.

## DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES Nil
- NON-LISTED COMPANIES Nil
- CONNECTED COMPANIES Nil
- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil
- OTHER ORGANISATIONS Nil

## NO. OF SHARES HELD AS OF YEAR END 2012

Nil

## INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012

Nil

\* Note: Audit Committee Member who has adequate expertise and experience to review creditability of the financial statement.

## MR. ISHAAN SHAH

**POSITION** Director

**AGE** 24 years

## EDUCATION

- 2010 Bachelor of Science in Business Administration, Concentrations in Finance and Law, University of Southern California, Los Angeles, CA, The United States.
- 2006 Rugby School, Rugby, The United Kingdom.

## TRAINING

- 2011 Director Certificate Program (DCP) by Institute of Directors (IOD).
- 2011 Seatrade Academy, University of Cambridge, The United Kingdom.

## EXPERIENCE

- January 2012 - Present Director, Christiani & Nielsen (Thai) Public Company Limited.
- March 2011 - Present Director, Precious Shipping Public Company Limited.
- 2008 - Present Director, Globex Corporation Limited.
- 2008 - Present Director, Graintrade Limited.

## OCCUPATION

Company Director

## DIRECTORSHIP AND POSITIONS HELD IN OTHER COMPANIES AND OTHER ORGANISATIONS

- LISTED COMPANIES 1 Company : Director Christiani & Nielsen (Thai) Public Company Limited.
- NON-LISTED AND CONNECTED\* COMPANIES 5 Companies :
  1. Director, Globex Corporation Limited.
  2. Director, Graintrade Limited.
  3. Director, Unistretch Limited.\*  
(Lessor of the main operations office space leased by the Company)
  4. Director, Ambika Tour Limited.\*  
(Seller of air-tickets to the Company)
  5. Director, Geepee Air Service Limited.\*  
(Seller of air- tickets to the Company)

\* Note: Please refer to "CONNECTED TRANSACTIONS" on page 230 - 231 of this Annual Report.

- OTHER RELATED COMPANIES (SUBSIDIARIES / ASSOCIATED COMPANIES) Nil
- OTHER ORGANISATIONS Nil

## NO. OF SHARES HELD AS OF YEAR END 2012

Nil

## INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012

Nil

# MANAGEMENT TEAM

<b>Mr. Khalid Moinuddin Hashim*</b>	Managing Director
<b>Mr. Munir Moinuddin Hashim*</b>	Director (Commercial)
<b>Mr. Khushroo Kali Wadia*</b>	Director (Finance)
<b>Mr. Jaipal Mansukhani*</b>	Director of Great Circle Shipping Agency Ltd. (Company's Subsidiary)

\* For profile and shareholding changes, please refer to **BOARD OF DIRECTORS - PROFILE**

## MR. SHRILAL GOPINATHAN

<b>POSITION</b>	Vice President (Commercial)
<b>AGE</b>	55 years
<b>EDUCATION</b>	Bachelor of Commerce, the University of Bombay, India Diploma in Shipping, the Norattam Morarjee Institute of Shipping, Bombay, India
<b>EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• 1999 - Present Vice President (Commercial), Precious Shipping Public Company Limited</li> <li>• 1989 - 1998 Chartering Manager, Precious Shipping Public Company Limited</li> </ul>
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	700,000 shares (0.07% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. KOKA VENKATARAMANA SUDHAKAR

<b>POSITION</b>	Vice President (Fleet Management)
<b>AGE</b>	64 years
<b>EDUCATION</b>	Cadet, Directorate of Marine Engineering Training
<b>EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• 1999 - Present Vice President (Fleet Management), Precious Shipping Public Company Limited</li> <li>• 1989 - 1998 Fleet Manager, Great Circle Shipping Agency Limited</li> </ul>
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	10,000 shares (0.00% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. NEELAKANTAN VASUDEVAN

<b>POSITION</b>	Vice President (Risk Management)
<b>AGE</b>	51 years
<b>EDUCATION</b>	Post Graduate Diploma in International Trade from Indian Institute of Foreign Trade, New Delhi, India Master's Degree in Management Studies (M.M.S), University of Mumbai, Mumbai, India
<b>EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• 2005 - Present Vice President (Risk Management), Precious Shipping Public Company Limited</li> <li>• 1999 - 2004 Assistant Vice President (Risk Management), Precious Shipping Public Company Limited</li> <li>• 1995 - 1998 Insurance &amp; Claims Manager, Precious Shipping Public Company Limited</li> <li>• 1985 - 1995 Deputy Manager, Shipping Corporation of India Limited</li> </ul>
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	80,000 shares (0.00% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	20,000 shares

## MR. STEPHEN KORAH

<b>POSITION</b>	Vice President (International Safety Management) (ISM)
<b>AGE</b>	56 years
<b>EDUCATION</b>	First Class Marine Engineer Graduate Directorate of Marine Engineering Training, Kolkatta, India
<b>EXPERIENCE</b>	
• 2005 - Present	Vice President (International Safety Management) (ISM), Precious Shipping Public Company Limited
• 2004 - 2005	Assistant Vice President (International Safety Management) (ISM), Precious Shipping Public Company Limited
• 1996 - 2004	Quality Systems Manager (ISM Team), Precious Shipping Public Company Limited
• 1994 - 1996	Technical Superintendent, Great Circle Shipping Agency Limited
• 1988 - 1994	Technical Superintendent, ESSAR SISCO Ship Management Co, Chennai, India
• 1986 - 1988	Chief Engineer on ships
• 1978 - 1986	Marine Engineer on ships
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	17,000 shares (0.00% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	7,000 shares

## MR. KODAKARAVEETIL MURALI MENON

<b>POSITION</b>	Vice President (Technical)
<b>AGE</b>	57 years
<b>EDUCATION</b>	Marine Engineer (Class One), Marine Engineering College, India Qualified for membership of the Institute of Chartered Shipbrokers
<b>EXPERIENCE</b>	
• 2005 - Present	Vice President (Technical), Precious Shipping Public Company Limited
• 1998 - 2004	Assistant Vice President (Technical), Precious Shipping Public Company Limited
• 1992 - 1998	Superintendent (Technical), Precious Shipping Public Company Limited
• 1988 - 1992	Chief Engineer, Precious Shipping Public Company Limited
• 1984 - 1988	Chief Engineer, Seaarland Ship management, Austria
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	248,000 shares (0.02% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. KAMAL KUMAR DUA

<b>POSITION</b>	Vice President (Information Technology)
<b>AGE</b>	47 years
<b>EDUCATION</b>	Master's Degree in Computer Science, Assumption University
<b>EXPERIENCE</b>	
• 2005 - Present	Vice President (Information Technology), Precious Shipping Public Company Limited
• 2000 - 2004	Assistant Vice President (Information Technology), Precious Shipping Public Company Limited
• 1996 - 2000	Senior Manager (ISM), Precious Shipping Public Company Limited
• 1996	Master, Great Circle Shipping Agency Limited
• 1988 - 1996	Deck Officer, Great Circle Shipping Agency Limited
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	30,000 shares (0.00% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	30,000 shares

## MR. NISHIKANT GOVIND DESAI

<b>POSITION</b>	Vice President (Projects)
<b>AGE</b>	60 years
<b>EDUCATION</b>	Naval Architecture Engineering, Indian Institute of Technology (IIT-Kgp), India
<b>EXPERIENCE</b>	
• November 2010 - Present	Vice President (Projects) of Precious Shipping Public Company Limited
• 1998 - November 2010	Assistant Vice President (Projects) of Precious Shipping Public Company Limited
• 1995 - 1998	Project Manager (New Building) at CKMI Shipyard, Korea
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	40,000 shares (0.00% of total paid-up shares)
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. KIRAN KESARINATH VAIDYA

<b>POSITION</b>	Senior Manager (Accounts & MIS)
<b>AGE</b>	43 years
<b>EDUCATION</b>	Bachelor of Commerce, University of Bombay, India Chartered Accountant from the Institute of Chartered Accountants of India
<b>EXPERIENCE</b>	
• 1993 - Present	Senior Manager (Accounts & MIS), Precious Shipping Public Company Limited
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MS. SOMPRATHANA THEPNAPALERN

<b>POSITION</b>	Assistant Vice President (Finance & Accounts), Company Secretary
<b>AGE</b>	42 years
<b>EDUCATION</b>	Master of Science in Accounting, Thammasat University Certified Public Accountant of Federation of Accounting professions
<b>TRAINING</b>	
• June 2010	Attended the training course on the topic "Effective Minute Taking" held by the Thai Institute of Directors
• October 2004	Attended the training course on the topic "Company Secretary Program" held by the Thai Institute of Directors
<b>EXPERIENCE</b>	
• May 2008 - Present	Company Secretary, Precious Shipping Public Company Limited
• 1999 - Present	Assistant Vice President (Finance & Accounts), Precious Shipping Public Company Limited
• 1996 - 1999	Finance Executive, Precious Shipping Public Company Limited
• 1992 - 1996	Senior Auditor, SGV-Na Thalang & Co., Ltd.
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil

## MR. YINGYONG KANGHAE

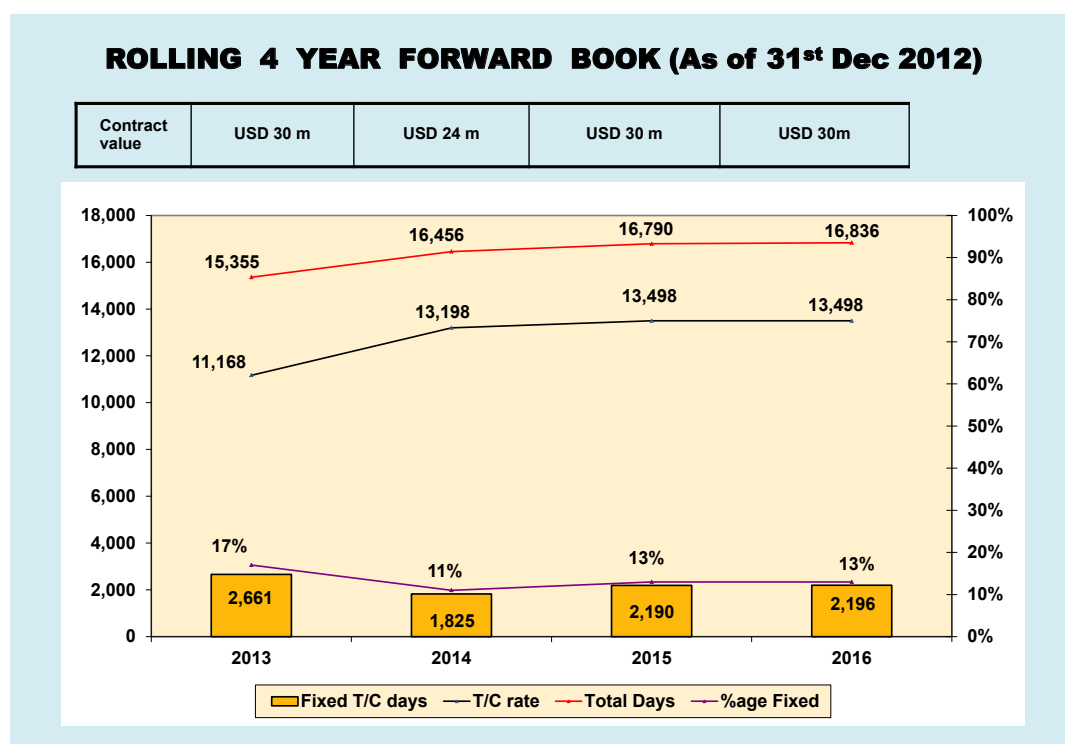
<b>POSITION</b>	Senior Manager - Group Accounts
<b>AGE</b>	42 years
<b>EDUCATION</b>	Master of Business Administration (Accounts), Ramkhamhaeng University
<b>EXPERIENCE</b>	
• 1996 - Present	Senior Manager - Group Accounts, Precious Shipping Public Company Limited
• 1993 - 1996	Auditor, Deloitte Touche Tohmatsu Jaiyos Co., Ltd.
<b>POSITIONS HELD IN OTHER COMPANIES</b>	Nil
<b>NO. OF SHARES HELD AS OF YEAR END 2012</b>	Nil
<b>INCREASE (DECREASE) IN SHAREHOLDING IN THE YEAR 2012</b>	Nil



# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. MARKET CONDITIONS (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)

Precious Shipping PCL (hereinafter referred to as PSL or the Company) continues to own and operate its ships on a tramp-shipping basis in the small handy size sector of the Dry Bulk International Shipping market. However, with the acquisition of 2 Supramax vessels in the 4<sup>th</sup> Quarter of 2011, the Company also started operating in the Supramax Sector. PSL had put in place its business strategy, started from year 2004, to enter into long term time charters (Period Charters) at reasonably high freight rates, whenever possible, for periods ranging from 3 months to 5 years or longer at opportune times. This policy was successfully applied right until the third quarter of 2008 after which the market dropped sharply due to which it was not possible to renew or enter into new period charters at attractive rates. During 2012, the Company managed to enter into very few period charters of long duration as Freight Markets remained at low levels throughout the year. It is expected that the markets will continue to remain challenging in 2013 as a result of which, the Company's forward book reproduced below may not remain as healthy as it used to be in the past. :



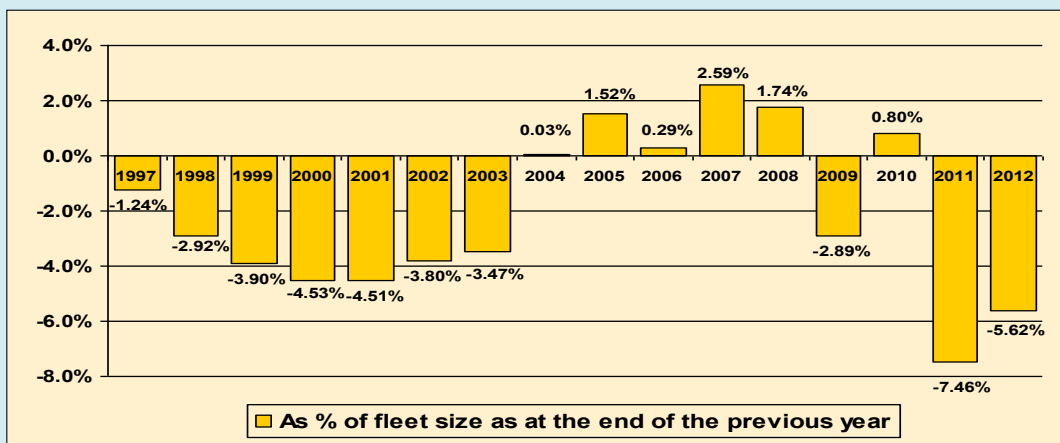
Total Days in the above chart is based on our existing fleet of 36 ships as at the end of the year 2012. The Company has not assumed any ships acquired except two 53K secondhand 2010-11 Indian Built Ship to be delivered during the first quarter of 2013, 7 newbuildings and 2 cement carriers ordered during 2007-2009 to be built at ABG Shipyard in India and also recent order of 2 Cement Carriers ordered during December 2012 to be built at Shanhaiguan New Shipbuilding Industry Co., Ltd. in China which are assumed to be added to the fleet on their respective delivery dates.

*For further discussions and analysis of the market conditions, please refer to the **Board of Directors' Report** presented separately in this Annual Report.*

## 2. INDUSTRY OVERVIEW - WORLD DEMAND-SUPPLY OUTLOOK

(SMALL HANDY SIZE SECTOR ONLY) – (TO BE READ WITH THE BOARD OF DIRECTORS' REPORT PRESENTED SEPARATELY IN THIS ANNUAL REPORT)

### HISTORICAL REDUCTION / INCREASE IN ANNUAL FLEET SIZE



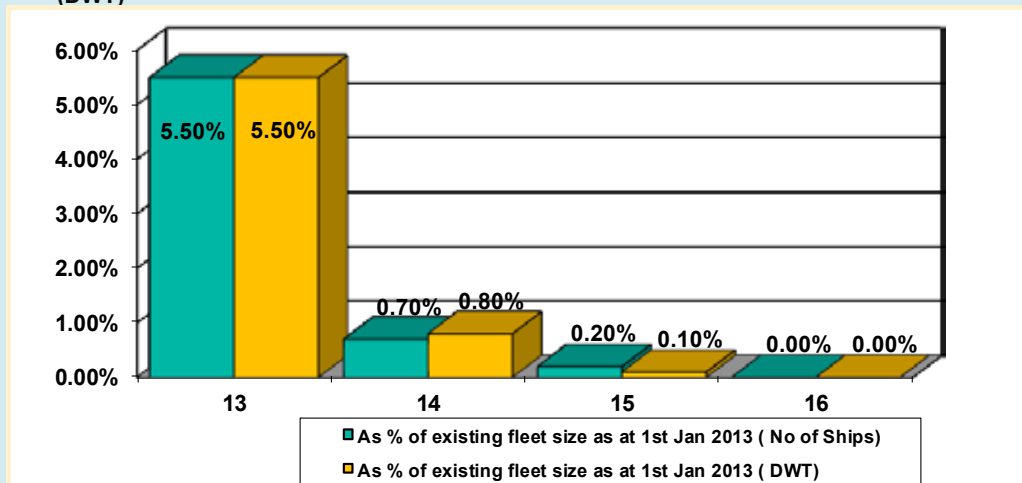
Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Ships	3834	3722	3577	3415	3261	3137	3028	3029	3075	3084	3164	3219	3126	3151	2916	2752

Source : CRS/Aries

It will be observed from the above chart that there has been a continuous reduction in world fleet size until 2003. However, during the year 2004, a net increase of one ship to the world fleet took place. During the years 2005, 2006, 2007 and 2008, 46, 9, 80 and 55 ships respectively were added to the world fleet. This is due to the slowdown in the scrapping rate, the reason for which was the higher rates witnessed in the freight markets during the years 2004-2008. However since Q4 2008, the scrapping rate has increased due to the sharp downturn in the shipping market, thereby reducing the net supply rate and only 55 ships were added to the world fleet in 2008 as compared to 80 ships in year 2007. The increased scrapping rate continued during the early part of 2009 which resulted in a net reduction of 93 ships in the world fleet in year 2009. However, due to the recovery in the freight markets from end 2009, the scrapping rates went down again, which, coupled with the increased supply of new ships, resulted in an increase of 25 Ships in year 2010. During the second half of 2011 and the whole of 2012, the freight market witnessed very sluggish movements due to increased supply of new Ships into the World Fleet, thereby resulting in record scrapping of Ships which reduced the world fleet size by 235 and 164 Ships during these two years respectively.

### NEW BUILDINGS ON ORDER UPTO DEC 2016 (6.4% of existing Fleet in DWT)

Number of Ships	150	20	5	0
Average Size (DWT)	20,567	21,825	17,600	NA

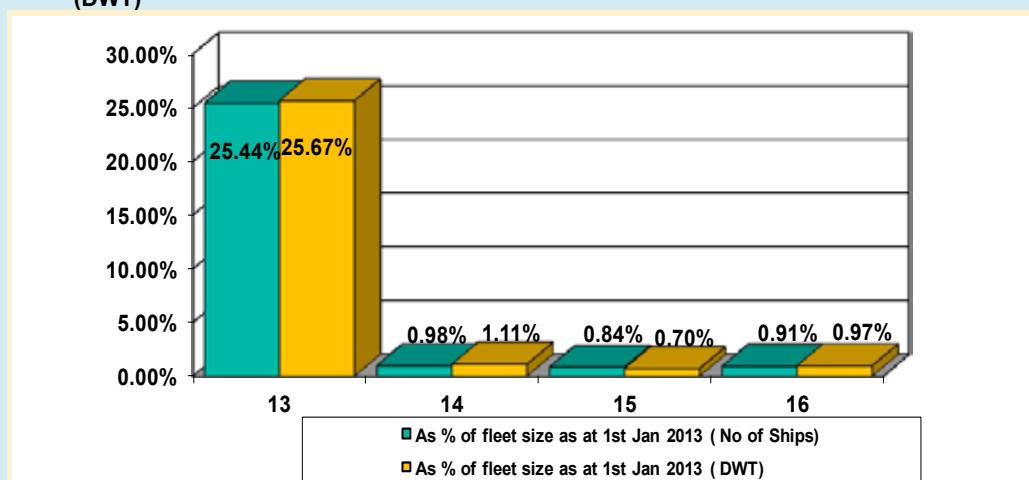


Source : CRS/Aries

It is evident from the above chart that, although the supply of new ships in 2013 appears healthy, however, in the next three years, just about 1% more new ships have been contracted to be delivered as against the existing fleet, which has 25.4% aged over 27 years of age in terms of number of ships. Therefore, the supply side in our sector appears to be quite favorable.

### POTENTIAL SCRAPPING OF SHIPS 27 YEARS OR OLDER UPTO DEC 2016 (28.45% of existing Fleet in DWT)

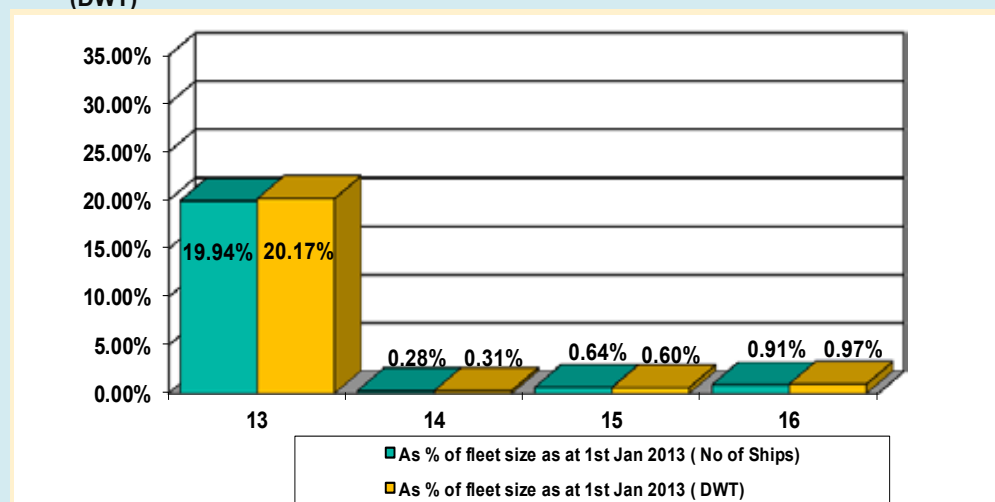
Number of Ships	700	27	23	25
Average Size (DWT)	20,461	22,849	17,105	21,695



Source : CRS/Aries

**POTENTIAL NET REDUCTION IN SUPPLY UPTO DEC 2016  
(22.05% of existing Fleet in DWT)**

Number of Ships	550	7	18	25
Average Size (DWT)	20,461	22,849	17,105	21,695



*Source : CRS/Aries*

As observed from the above charts and the chart for fleet age (please refer to No. 1.2 of Nature of Business and Industry section of this Annual Report), with about 33% of the world fleet in PSL's sector being greater than 20 years of age in terms of number of ships, depressed freight markets will further increase the scrapping rate of older tonnage. Similar to year 2011, the scrapping rate in 2012 increased considerably from 2010 due to depressed freight markets. Therefore, with an expected weak freight market for the rest of this year (2013), the scrapping rate will probably continue at the high levels witnessed in the last year or two which would provide a natural self-correcting factor to balance supply and demand in the handysize sector.

*For further discussions and analysis of the market conditions, please refer to the **Board of Directors' Report** presented separately in this Annual Report.*

### 3. BUYING AND SELLING OF SHIPS:

#### 3.1 New Ship Building Contracts for 18 Ships Ordered In Years 2007 And 2008

The Company entered into 12 contracts for construction of 12 handysize bulk carriers of a design deadweight size of 32,000 DWT (these ships are actually allowed to carry 34,000 DWT and therefore, these ships are classified as 34,000 DWT size in other sections of this Annual Report) and for 6 Supramax bulk carriers of 54,000 DWT each, with ABG Shipyard Limited, India (ABG or Builder) in 2007 and 2008, out of which only 3 ships have been delivered by January 2013.

Out of the above orders, the Company novated 4 new shipbuilding contracts in 2011 and 5 new shipbuilding contracts in 2012 as the estimated revised Delivery Dates received from the Shipyard were not suitable for the Company considering the prevalent freight market conditions.

On 27 August 2012, the Company also amended the Shipbuilding Contract for the construction of Hull no. 335, mainly to give effect to a revised price of USD 23 million and a revised Delivery Date of upto January 2013. This ship has now been delivered in January 2013.

The Company is still in discussions with the Shipbuilder for remedial action for delay in delivery of remaining Ships and will update the delivery schedule as and when revisions in Delivery Dates and/or other Contractual terms are finalized.

### Details of Novation of 3 new Shipbuilding Contracts which were completed in 2011:

No.	Agreement Date	Hull No.	DWT	Shipbuilding Contract Date	Installments paid to the Builder by the Company	Date of Final Receipt of Novation Proceeds	Sale Price (THB million)	Gain on sale (THB million)	Sale Price (USD million)	Gain on sale (USD million)
1	18 <sup>th</sup> March 2011	329	32,000	20 <sup>th</sup> July 2007	17,999,997	27-Apr-11	660.86	94.44	21.79	3.11
2	18 <sup>th</sup> March 2011	330	32,000	20 <sup>th</sup> July 2007	17,999,997	27-Apr-11	657.14	94.05	21.66	3.10
3	18 <sup>th</sup> March 2011	313	54,000	14 <sup>th</sup> September 2007	22,799,998	5-Aug-11	849.57	130.68	28.02	4.31
<b>Gain on Novation of Newbuildings</b>							<b>2,167.57</b>	<b>319.17</b>	<b>71.47</b>	<b>10.52</b>

### Details of Novation of 6 new Shipbuilding Contracts which are completed/signed in 2012:

No.	Agreement Date	Hull No.	DWT	Shipbuilding Contract Date	Installments paid to the Builder by the Company	Date of Final Receipt of Novation Proceeds	Sale Price (THB million)	Gain on sale (THB million)	Sale Price (USD million)	Gain on sale (USD million)
1	21 <sup>st</sup> December 2011	333	32,000	20 <sup>th</sup> July 2007	17,999,997	26-Sep-12	723.05	143.44	23.13	4.59
2	25 <sup>th</sup> January 2012	315	54,000	14 <sup>th</sup> September 2007	22,799,998	1-Oct-12	891.99	162.01	28.53	5.18
3	10 <sup>th</sup> September 2012	336	32,000	20 <sup>th</sup> July 2007	5,999,999					
4	10 <sup>th</sup> September 2012	340	32,000	20 <sup>th</sup> July 2007	5,999,999					
5	10 <sup>th</sup> September 2012	316	54,000	14 <sup>th</sup> September 2007	15,199,998					
6	10 <sup>th</sup> September 2012	347	54,000	11 <sup>th</sup> February 2008	15,199,998					
<b>Gain on Novation of Newbuildings</b>							<b>1,615.04</b>	<b>305.45</b>	<b>51.66</b>	<b>9.77</b>

Out of the above, Novation of Shipbuilding Contracts of Hull 333 and 315 were completed in Year 2012 with the balance 4 Novations not fully completed as on 31 December 2012.

## 3.2 Cement Carrier Contracts:

### (a) MOU and Time Charter Contracts with Ultratech Cement Limited.

The Company signed a Memorandum of Understanding (MOU) on 14<sup>th</sup> October 2009 and Long Term Time Charter Contracts (the "Charters") on 2<sup>nd</sup> December 2009 with Ultratech Cement Limited, Mumbai, India (the "Charterer") for 4 (3 definite ships, plus an additional ship at Charterer's option to be declared before 25<sup>th</sup> February 2012) new cement Carriers (the "Ships") to be delivered per details hereunder:

#### Delivery Schedule per Charters:

- 1<sup>st</sup> Ship - between 30 July 2011 and 15 August 2011 (not yet delivered as on 31 December 2012)
- 2<sup>nd</sup> Ship - between 1 November 2012 and 31 January 2013
- 3<sup>rd</sup> Ship - between 1 November 2013 and 31 January 2014
- 4<sup>th</sup> Ship (if option exercised by the Charterer) - between 1 February 2014 and 30 April 2014.

#### Description of the Charters:

The Company or its nominee (the "Owners") will own and charter 3 definite Ships, plus the additional Ship (at the Charterer's option to be exercised within 25<sup>th</sup> February 2012 subsequently extended), to the Charterer for a period of 15 years, plus in the Charterer's option, for an additional 5 years' period and further, in the Charterer's option, another 5 years' period (15+5+5=25 years) for each Ship.

The Charterer has exercised the option for the 4<sup>th</sup> Ship subject to certain conditions and thus the Company will have 4 Time Charter Contracts under this MOU.

#### Ships:

The Ships shall be new custom-made cement carriers built according to the specifications as laid down and agreed with the Charterer.

### **Charter Rate:**

The Charter rate for the first 15 years' period shall be USD 15,000 per day for each Ship and shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years' option period if exercised by the Charterer. Accordingly, if the option for an additional 5 years' period is exercised by the Charterer, the Charter rate for this 5 years' period commencing from the 16<sup>th</sup> year upto the end of the 20<sup>th</sup> year shall be USD 13,000 per day for each Ship. Thereafter, if the option for a further 5 years' period is also exercised by the Charterer, the Charter rate shall be USD 11,000 per day period for each Ship for this 5 years' commencing from the 21<sup>st</sup> year upto the end of the 25<sup>th</sup> year.

However, in case the Charterer requires the Ships to be registered (flagged) in India, the Owners shall agree to do so, but, in such case, the charter rate shall be increased by USD 2,000 per day for each Ship in each of the above periods as may be applicable. Accordingly, the charter rate in such case shall then be USD 17,000 per day for each Ship for the first 15 years' period and this shall be reduced thereafter by USD 2,000 per day for each Ship, for each block of the 5 years' option periods.

### **Liquidated Damages:**

If the Owners fail to deliver the Ships within the agreed respective delivery schedules as above, liquidated damages of USD 4,250 per Ship for each day of delay shall be payable by the Owners. ABC One Pte Limited, Owners of Hull 378 (ABC 1) failed to deliver the Ship to the Charterer on or before 15<sup>th</sup> August 2011 and therefore started paying liquidated damages of USD 4,250 per day w.e.f. 16<sup>th</sup> August 2011. ABC 1 has paid US\$ 2,142,000 to the Charterers as of 31<sup>st</sup> December 2012 on account of Liquidated Damages. However, this shall be fully recovered from the Builder against the Newbuilding Contract of this Ship when the Ship is delivered by the Builder to ABC 1.

#### **(b) The signing of 3 shipbuilding contracts for 3 new cement bulk carriers:**

In order to perform the long term Time Charters already signed by the Company, the Company through three special purpose subsidiaries (the SPV) of Associated Bulk Carriers Pte. Ltd, viz., ABC One Pte. Ltd., ABC Two Pte. Ltd. and ABC Three Pte. Ltd., each entered into a Shipbuilding Contract for a Cement Bulk Carrier with ABG Shipyard Limited, India (Builder) for a price of USD 28.50 million per Vessel.

#### **(c) Cancellation of 2 shipbuilding contracts for 2 new cement bulk carriers:**

The construction of the Cement Carriers have been delayed and therefore, the Company (through the 2 SPV's, ABC Two and ABC Three) entered into shipbuilding Contracts with another Chinese Shipyard as explained hereunder and then on 18<sup>th</sup> January 2013, the Company cancelled the new building contract for the construction of the Hull 380 amicably by mutual consent and is in discussions with ABG to cancel the other new building contract for Hull 379 amicably by mutual consent.

#### **(d) The signing of 2 shipbuilding contracts for 2 new cement bulk carriers:**

In order to be able to deliver the 2 cement Ships (The Ships ordered earlier with ABG Shipyard) in time, the Company through each of its two same Subsidiaries viz., ABC Two Pte. Ltd. and ABC Three Pte. Ltd. (each, a Buyer) has entered into Shipbuilding Contracts for a Cement Carrier with China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd. (Seller) per following details:

Type of Ship:	Cement Carrier
Size:	About 20,000 deadweight tonnes (DWT)
Delivery dates:	
Hull No CC200-01:	On or before 24 <sup>th</sup> January 2014
Hull No CC200-02:	On or before 30 <sup>th</sup> April 2014

Value of consideration and payment terms: The individual Contract for each Vessel has been entered into between each Buyer and the Seller with individual price for each Vessel of USD 24.18 million (the "Contract Price"). The Contract Price of each Vessel shall be paid in installments as follows:



Instalment Number	Milestone	US\$
1 <sup>st</sup>	On signing the contract	2,418,000
2 <sup>nd</sup>	Steel cutting of the first steel plate	2,418,000
3 <sup>rd</sup>	After completion of Keel Laying of the Ship	2,418,000
4 <sup>th</sup>	Launching of the Ship	2,418,000
5 <sup>th</sup>	Delivery of the Ship	14,508,000
<b>Total</b>		<b>24,180,000</b>

Apart from the above Ships, a Singapore Subsidiary has entered into an Option Agreement with the Seller dated 5 December 2012 under which, the Owner shall have the option to nominate a company from its group to order one more 20,000 DWT cement carrier ("Option Vessel") with the same price and terms of the ordered Ships as per the above details. The Option Vessel would have to be declared (exercised) within 31<sup>st</sup> March 2013.

**The details of cost, schedule of installments, and expected date of deliveries as on 31<sup>st</sup> December 2012 are as follows:**

Hull No.	Contract date	Expected Date of Delivery	20K DWT Ship	Contract Amount US\$	Paid in 2012 US\$	Total As on 31 <sup>st</sup> Dec 2012
CC200-01	5 <sup>th</sup> December 2012	24 <sup>th</sup> January 2014	20,000	24,180,000	2,418,000	2,418,000
CC200-02	5 <sup>th</sup> December 2012	30 <sup>th</sup> April 2014	20,000	24,180,000	2,418,000	2,418,000
<b>Total</b>			<b>40,000</b>	<b>48,360,000</b>	<b>4,836,000</b>	<b>4,836,000</b>

### **3.3 Acquisition of 4 New Shipbuilding Contracts for 4 Supramax Vessels (57,000 DWT) built in China vide purchase of 4 Single Purpose Companies (SPCs):**

Pursuant to the Company's Fleet rejuvenation plan, the Company purchased 4 new shipbuilding resale Supramax ships vide purchase of 4 single purpose companies and all the 4 ships have been delivered in Year 2012 as under:

Hull No.	Ship name	Delivery Date	DWT	Total Cost Capitalized
GY807	Apiradee Naree	10 <sup>th</sup> August 2012	56,512	27,892,044
GY808	Baranee Naree	19 <sup>th</sup> September 2012	56,441	27,632,470
GY809	Chayanee Naree	22 <sup>nd</sup> October 2012	56,548	27,590,184
GY810	Daranee Naree	29 <sup>th</sup> November 2012	56,588	27,621,314
<b>Total</b>			<b>226,089</b>	<b>110,736,012</b>

### **3.4 Fleet Rejuvenation plan:**

In our Annual Reports of recent years, we had mentioned that the Company's short/medium term plans for buying second-hand ships or acquiring newbuilding contracts are opportunistic and the Company would be always on the lookout for opportunities which may come its way to acquire newer and economically priced ships. These opportunities started coming in the latter part of 2011, when the Company received a number of offers to sell very economically priced newer Vessels. Accordingly, the Company (through its wholly owned subsidiaries) acquired the following Ships in 2012:

No.	Ship name	Year Built	Shipyard Built	DWT	Delivery Date	Purchase Price Cost (US\$ Million)
1	Charana Naree	2005	Shin Kurushima, Japan	33,720	12-Jan-12	19.50
2	Mookda Naree	2009	Hindustan Shipyard, India	30,162	15-Feb-12	17.70
3	Mayuree Naree	2008	Hindustan Shipyard, India	30,193	19-Mar-12	16.70
4	Mallika Naree	2008	Hindustan Shipyard, India	30,195	02-Apr-12	16.60
5	Lanna Naree	2012	Jiangsu Yangzijiang Shipbuilding Co., Ltd., China	33,843	15-Oct-12	19.40
6	Latika Naree	2012	Jiangsu Yangzijiang Shipbuilding Co., Ltd., China	33,869	19-Nov-12	19.40
<b>Handy Size-6 Vessels</b>				<b>191,982</b>		<b>109.30</b>

The Company also signed agreements for the following Ships which are scheduled for delivery in First Quarter of 2013 per details below:

No.	Ship Owning Subsidiary	Ship	Year Built	Shipyard Built	DWT	Memorandum of Agreement Date (MOA)	Purchase Price Cost (US\$ Million)
1	Precious Ponds Limited	Good Pride (TBR:Warisa Naree)	2010	Hindustan Shipyard, India	53,000	27-Dec-12	13.25
2	Precious Comets Limited	Good Precedent (TBR:Wariya Naree)	2011	Hindustan Shipyard, India	53,000	27-Dec-12	14.25
<b>Supramax-2 Vessels</b>					<b>106,000</b>		<b>27.50</b>

#### 4. GLOSSARY OF TERMS:

The Financial Analysis part of this Management Discussion and Analysis (MD&A) is based on the Company's consolidated financial statements prepared in accordance with Thai Generally Accepted Accounting Principles ("GAAP") and the US Dollar (Functional Currency) Financial Statements. A variety of financial and operational terms has been used in the MD&A and some of these terms are explained below:

**Average Daily Ship Operating expenses in USD (Opex)** - Average Ship Operating Expenses per day per ship is computed over a 365 days operating cycle. These exclude depreciation but include amounts amortised per accounting policy (note 4.6 of audited financial statements) for Dry-docking and Special Survey (DD/SS) expenses and the amortization is included as "depreciation" in the financial statements. Ship operating expenses generally represent fixed costs which include crewing, repairs and maintenance, insurance, stores, lube oils, management cost and amortised portion of Dry-docking and Special survey expenses.

**Ship Running Expenses** - Ship running expenses in the Financial Statements refer to Ship operating expenses excluding amortised Dry-docking and Special Survey expenses.

**Voyage Expenses** - Voyage expenses mean all expenses related to a particular voyage including bunker fuels and voyage disbursements at the ports of call. Voyage disbursements include port fees, cargo loading and unloading expenses, canal tolls, agency fees and other expenses at the ports of call. Voyage costs are typically paid by the client (charterer) under Time Charter and by the Company under Voyage Charter. However, when the Company pays the voyage expenses, Company typically adds them while calculating freight rate so that the desired Time Charter rate is achieved had the Company negotiated the Voyage as a Time charter.

**Total Ship Operating Cost** - Total Ship Operating cost in the Financial Statements means the aggregate of Ship running expenses and voyage expenses.

**Average Daily Ship Earnings in USD (TC Rate)** - Average time-charter equivalent earnings per day per ship computed over a 350 days cycle. The TC rate is calculated by dividing net Ship Operating Income by 350 days per Ship.

**Ship Operating Income** - Ship Operating Income in the financial statements means total of Hire and Freight received. In other words, this is total income earned through Time and Voyage Charters.

**Net Ship Operating Income** - Net Ship Operating Income means Ship Operating Income less Voyage expenses, and is also known as Net Time Charter Equivalent Revenue.

**Dry-docking and Special survey** - The Company must periodically dry-dock each of its ships for inspection, repairs and maintenance and any modifications to comply with industry certification and or various regulations applicable to the Company's ships. Generally each ship is dry-docked every 2.5 years and 5 years to carry out intermediate and special survey, respectively. The Company capitalizes these costs and depreciates them over a period of 2 years for dry-docking cost related to an Intermediate survey and 4 years for dry-docking cost related to a special survey. The depreciation amount of dry-docking and special survey costs is included in Depreciation and do not form part of ship operating cost in the Financial Statements. However, while calculating average Ship Operating expenses per day per ship (Opex), The Company includes amortised portion of dry-dock and special survey cost for ascertaining complete Opex.

**Depreciation** - The main component of depreciation cost is depreciation on Ships. It also includes amortisation of Dry-docking and Special survey cost as explained above, in the Financial Statements.

**Ship Idle /Down Time** - Ship idle time refers to downtime (in days) due to technical reasons only and it means the ship was "off-hire" at dry-dock or at sea or port for repairs of a routine nature or in case of a breakdown.

**Gross Profit** - Gross Profit means Ship operating income less Ship operating costs.

**Gross Profit Margin** - Gross Profit margin means gross profit divided by Ship operating income denominated in percentage.

**Administrative Expenses** - Administrative expenses include onshore (office) personnel payroll costs, office rent, legal and professional expenses and other expenses of an administrative nature. Administrative expenses in the financial statements also include cost of personnel employed for technical management of ships. However, for calculating average Ship operating expenses per day per ship (Opex), such relevant portion of administrative expenses is considered and included in the Opex as Management Fees.

## 5. CREDIT/LOAN FACILITIES (available as on 31 December 2012)

### 5.1 Secondhand Ships acquisition credit/loan facility from BTMU and other 3 Banks

The Company executed a USD 250 million Secured Term Loan Facility Agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bank of Ayudhya PCL, KASIKORNBANK PCL, Export-Import Bank of Thailand and Thanachart Bank PCL (as Mandated Lead Arrangers and Lenders) to fund the Company's acquisition of additional second-hand vessels on 14<sup>th</sup> January 2010.

On 18 July 2011, the Company executed the Amending and Restating Agreement No. 1 of the Secured Term Loan Facility Agreement to give effect to the following amendments:

- (a) Extend the availability period of the Facility up to 30 June 2012;
- (b) Withdrawal of the Export-Import Bank of Thailand as one of the original Lenders and thereby reducing the amount of the total credit facility to US\$ 200 million.

On 19 July 2012, the Company executed the Amending and Restating Agreement No. 2 of the Secured Term Loan Facility Agreement to give effect to the following amendments:

- (a) Extend the availability period of the Facility up to 30 June 2013;
- (b) Withdrawal of the Bank of Ayudhya PCL as one of the original Lenders and thereby reducing the amount of the total credit facility to US\$ 150 million;
- (c) Increase of Margin on the Loan.

**Therefore the amended main terms of the Secured Term Loan Facility are:**

<b>Borrowers</b>	: Precious Shipping Public Company Limited (“PSL”) and it’s wholly Owned Subsidiaries incorporated in Singapore and / or Thailand which shall be the shipowning subsidiaries.
<b>Lenders</b>	: The Bank of Tokyo-Mitsubishi UFJ, Ltd. (“BTMU”); KASIKORNBANK PCL (“KBank”); and Thanachart Bank PCL (“Thanachart”)
<b>Swap Provider (for IRS if necessary)</b>	: BTMU and KBank
<b>Facility Agent</b>	: KBank
<b>Security Agent</b>	: BTMU
<b>Facility Amount</b>	: Secured Term Loan Facility available for multiple drawdowns up to USD 150 million.
<b>Purpose</b>	: To finance up to 60% of the acquisition cost of Dry Bulk Ships of deadweight ton (“DWT”) not lower than 18,000 DWT and not higher than 58,000 DWT and not more than 10 years of age. The vessels have to be registered and flagged in Thailand or Singapore (or other acceptable flagging state). At least one out of every four Vessels purchased shall be a Singapore flagged vessel.
<b>Availability Period</b>	: Upto 30 <sup>th</sup> June 2013
<b>Principal Repayment</b>	: Beginning 3 months after the end of the Availability Period vide equal quarterly repayment installments (over 8 years) each representing 1/32 of the aggregate Loan Amount which shall be the aggregate of all drawdowns made till aforesaid date.
<b>Interest Rate</b>	: 3 months’ LIBOR plus Interest Margin.
<b>Interest Rate Hedging</b>	: At the Borrowers request, Interest Rate Hedging arrangements shall be entered into between the Borrowers and the Swap Provider. The Interest Rate Hedging arrangements will share the security on a pari-passu basis with the Loan Facility.
<b>Arrangement Fee</b>	: 1.25% of the Loan Facility Amount
<b>Commitment Fees</b>	: 0.70% per annum of undrawn amount of the Facility Amount.
<b>Security</b>	: The Borrowers shall deliver/ execute the following securities: <ul style="list-style-type: none"> <li>A. First priority mortgage over the Vessels (such that the total loan outstanding at the end of the Availability Period does not exceed 65% of the total value of the Vessels);</li> <li>B. Other than that of PSL, share pledge of the Borrowers;</li> <li>C. First priority assignment of Earnings of the Vessels and the Earnings, Retention and Collateral Accounts;</li> <li>D. First priority assignment of the Requisition Compensation of the Vessels; and</li> <li>E. First priority assignment of Insurance of the Vessels.</li> </ul> All the above securities to be cross collateralized.
<b>Financial Covenants</b>	: PSL will be subject to the following financial covenants, measured quarterly based on its consolidated financial statements in US Dollars: - <ol style="list-style-type: none"> <li>1. The ratio of Funded Debt to Total Shareholders’ Equity in respect of any Relevant Period will not be more than 2:1.</li> </ol>

2. The ratio of Funded Debt to EBITDA (of the previous four quarters) in respect of any Relevant Period will not be more than 5:1.
  3. Maintain a minimum Free Cash Balance of USD 100,000 per vessel that is owned by the PSL Group.
  4. Debt Service Coverage Ratio ("DSCR") of no less than 1.1 times.
- Vessel Covenants** : On a portfolio basis, the Fair Market Value (the "FMV") of the Vessels during the Loan Term must not be less than 125% of the outstanding balance of the Loan.
- Other Covenants** :
- Dividends:** PSL and other Joint Borrowers (wholly owned subsidiaries) allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan.
  - Listing:** PSL to remain listed on the Stock Exchange of Thailand at all times during the period of the Facility.
  - Management Covenant:** It will be an Event of Default if any of Khalid Hashim, Munir Hashim and Khushroo Wadia ceases to play an active role in the management of PSL (save by reason of death or incapacity) unless an acceptable replacement is in place within 90 days.

The Company has not drawn any amount against this facility as on 31 December 2012.

## 5.2 Credit facility from DnB NOR Bank ASA, Singapore Branch, Kasikornbank, and certain other International Banks (Newbuildings Facility)

With a view to availing long term funding for the new ships ordered by the Company from ABG Shipyard, on 3<sup>rd</sup> July 2008, the Company executed a USD 398,400,000 Secured Loan Agreement with DNB Bank ASA, Singapore Branch, Kasikornbank, and certain other International Banks to finance 15 (out of the 18 ordered) new ships (9 Handysize ships of 32,000 DWT each and 6 Supramax ships of 54,000 DWT each,) ordered by the Company.

**The main terms of the Credit Facility are summarized as follows:**

- Borrowers** : Precious Shipping Public Company Limited ("PSL") and / or upto 15 wholly owned subsidiaries to be incorporated in Singapore or Thailand or any other jurisdiction acceptable to the Lenders.
- Guarantor** : PSL.
- Lenders** : DNB Bank ASA, Singapore Branch ("DNB"), Kasikornbank, and certain other International Banks.
- Bookrunners /** : DNB.
- Underwriters / Mandated Lead Arranger ("MLA") /**
- Facility Agent and Security Agent**
- Joint Mandated** : Kasikornbank PCL.
- Lead Arranger**
- FACILITY** :
- Purpose** : Pre and Post Delivery Secured Term Loan Facility to finance the construction and acquisition of the 15 Ships (Vessels) as follows:
- Handysize Bulkers :**
- 9 Handysize Bulklers of 32,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 30 million.

<b>Supramax Bulkerc:</b>	
6 Supramax Bulkerc of 54,000 DWT each to be constructed by ABG Shipyard Ltd, India. The Construction Price of each Vessel is about USD 38 million.	
<b>Facility Amount</b>	: Up to USD 398.40 million (80% of Construction Price as above) divided into 15 tranches comprising: For the Handysize Bulkerc, upto USD 216 million divided into 9 Tranches. Pre-Delivery Facility Amount (Per Tranche): USD 18 million per Vessel or 60% of the Construction Price of the Vessel, whichever is lower. Post-Delivery Facility Amount (Per Tranche): USD 24 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower. For the Supramax Bulkerc, upto USD 182.40 million divided into 6 Tranches. Pre-Delivery Facility Amount (Per Tranche): USD 22.80 million per Vessel or 60% of the Construction Price of Vessel, whichever is lower. Post-Delivery Facility Amount (Per Tranche): USD 30.40 million per Vessel or 80% of the Construction Price of the Vessel, whichever is lower.

#### UTILISATION / AVAILABILITY AND REPAYMENT:

<b>Availability / Drawing</b>	: <b>Pre-Delivery Facility:</b> As per milestones in the shipbuilding contracts. <b>Post-Delivery Facility:</b> 100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.
<b>Repayment</b>	: <b>Pre-Delivery Facility:</b> The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective vessel. <b>Post-Delivery Facility:</b> Each Tranche shall be amortised (repaid) as quarterly repayment installments, each equivalent to 1/60 <sup>th</sup> of the Post-Delivery Facility Amount and a balloon amount equal to the balance under such Tranche on Final Maturity. The first quarterly repayment shall commence 3 months after delivery of each respective vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Tranches reduced to Zero.
<b>Final Maturity</b>	: 10 years from the delivery drawdown of the first Vessel, and accordingly, Final Maturity is expected to be in March 2020.

#### INTEREST AND FEES:

<b>Interest Rate</b>	: The aggregate of LIBOR and the Margin.
<b>Interest Period</b>	: 3 months.
<b>Commitment fee</b>	: 0.35% per annum of undrawn amount of the aggregate facility amount.
<b>SECURITY</b>	: The Borrowers and Guarantor shall deliver / execute the following security: <b>Pre-Delivery Facility:</b> a) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL. b) Corporate Guarantee from the Guarantor if not a Joint Borrower.



- c) 1<sup>st</sup> priority assignment of the shipbuilding contracts.
- d) 1<sup>st</sup> priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contracts with PSL.

**Post-Delivery Facility:**

- a) 1<sup>st</sup> priority mortgage over the vessels.
- b) A pledge over the shares of the Borrowers (wholly owned subsidiaries) other than PSL.
- c) Corporate Guarantee from the Guarantor if not a Joint Borrower.
- d) 1<sup>st</sup> priority assignment of requisition compensation in respect of the vessels.
- e) 1<sup>st</sup> priority assignments of all insurance proceeds.
- f) 1<sup>st</sup> priority assignment of the earnings of the vessels and pledge over the Earnings Accounts (accounts to be opened up for each of the Vessels) and Retention Account.

All of the above securities to be cross collateralised.

**COVENANTS :**

**Financial Covenants :** PSL shall comply with the following to be measured quarterly based on its consolidated Restated Financial Statements in USD:

- a) Maximum Funded Debt / Total Shareholder's Equity of 2.0 times.
- b) Maximum Funded Debt / Earnings Before Income Tax Depreciation and Amortisation (EBITDA) of 5.0 times.
- c) Maintain a minimum Free Cash Balance of USD 100,000 per vessel that the Guarantor owns.

**Vessel Covenants :** **Vessel registration:** The Vessels shall be registered in a Registry acceptable to the Facility Agent, if other than Thailand or Singapore, but, only a maximum of 7 vessels can be registered in Thailand.

**Minimum Value Clause :** The combined fair market value of all the delivered Vessels shall always be at least 125% of the combined outstanding amount under the Post- Delivery Facility.

**Other Covenants :** **Dividends :** No restrictions on dividend payments by PSL. The other Joint Borrowers (wholly owned subsidiaries) are also allowed to pay out dividends or make any other distributions to shareholders without any restrictions unless an Event of Default or Potential Event of Default has occurred and is continuing.

**Listing :** PSL to remain listed on the Stock Exchange of Thailand at all times during the period of the Facility.

**Supplemental Deeds signed during 2012 :**

On 19<sup>th</sup> January 2012, Borrowers have executed the Supplemental and Accession Deed (the "Third Supplemental Deed") to the New building Facility to prepay on 25<sup>th</sup> January 2012, the loan drawn of USD 7,599,999 against the new Shipbuilding Contract of Vessel Hull no. 315 and to cancel the undrawn balance loan facility of USD 22,800,001 against the Hull 315.

On 24<sup>th</sup> July 2012, Borrowers have executed the Fourth Supplemental Deed to the Newbuilding Facility to prepay on 27<sup>th</sup> July 2012, the loan drawn of USD 7,599,999 against the new Shipbuilding Contract of Vessel Hull no. 316 and to cancel the undrawn balance loan facility of USD 22,800,001 against the Hull no. 316.

On 24<sup>th</sup> August 2012, Borrowers have executed the Fifth Supplemental Deed to the Newbuilding Facility to give effect to the following amendments:

1. In respect of the Vessel with Hull No. 335:
  - (a) the relevant Contract Price adjusted downward to US\$ 23,000,000;
  - (b) the Delivery Date revised to 31 January 2013 and the removal of the 90 days grace period found in Article III 1(a) and (b) of the relevant Building Contract; and
  - (c) the relevant Pre-Delivery Availability Termination Date revised to 31 January 2013.
2. In respect of the Vessel with Hull No. 336:
  - (a) all Tranches relating to the Vessel to be cancelled, which has been done with effect from 31 July 2012;
  - (b) all assignments created in relation to the Vessel to be re-assigned; and
  - (c) the first instalment paid by the Company to the Builder (the "First Hull No. 336 Instalment") plus 7.5% interest paid thereon from the date of payment (the instalment amount plus the interest being the "Refunded Hull No. 336 Instalment Amount") to be applied towards the next instalment due under the Building Contract in respect of the Vessel with Hull No. 337 (the "Next Hull No. 337 Instalment"), and any amounts standing to the credit of the Company after payment of the Next Hull No. 337 Instalment (due to the accruing of interest mentioned above) (the "Hull No. 336 Interest"), will be applied towards part of the next instalment due in respect of Hull No. 337 after the Next Hull No. 337 Instalment (the "Subsequent Hull No. 337 Instalment").
3. In respect of the Vessel with Hull No. 337:
  - (a) The Refunded Hull No. 336 Instalment Amount will be applied to the Next Hull No. 337 Instalment and the instalment thereafter as set out in paragraph 2 above;
  - (b) an amount of the Pre Delivery Tranche equal to the First Hull No. 336 Instalment when drawn down will be paid directly to the Company when the Next Hull No. 337 Instalment is due and all conditions precedent are satisfied in order to refinance the payment of the Next Hull No. 337 Instalment; and
  - (c) an amount of the Pre Delivery Tranche equal to the Hull No. 336 Interest when drawn down will be paid directly to the Company when the Subsequent Hull No. 337 Instalment is due and all conditions precedent are satisfied in order to refinance part of the payment of the Subsequent Hull No. 337 Instalment.
4. In respect of the Vessel with Hull No. 316:
  - (a) the relevant Pre Delivery Tranche already drawn to be prepaid, which has been done on 27 July 2012;
  - (b) all relevant undrawn Tranches to be cancelled, which has been done with effect from 27 July 2012;
  - (c) all assignments created in relation to the Vessel to be re-assigned which has been done; and
  - (d) the first instalment paid by the Company to the Builder (the "First Hull No. 316 Instalment") plus 7.5% interest paid thereon from the date of payment (the instalment amount plus the interest being the "Refunded Hull No. 316 Instalment Amount") to be applied towards the next instalment due under the Building Contract in respect of the Vessel with Hull No. 348 (the "Next Hull No. 348 Instalment"), and any amounts standing to the credit of the Company after payment of the Next Hull No. 348 Instalment (due to the accruing of interest mentioned above) (the "Hull No. 316 Interest"), will be applied towards part of the next instalment due in respect of Hull No. 348 after the Next Hull No. 348 Instalment (the "Subsequent Hull No. 348 Instalment").

5. In respect of the Vessel with Hull No. 348:

- (a) the Refunded Hull No. 316 Instalment Amount will be applied to the Next Hull No. 348 Instalment and the instalment thereafter as set out in paragraph 4 above;
- (b) an amount of the Pre Delivery Tranche equal to the First Hull No. 316 Instalment when drawn down will be paid directly to the Company when the Next Hull No. 348 Instalment is due and all conditions precedent are satisfied in order to refinance the payment of the Next Hull No. 348 Instalment; and
- (c) an amount of the Pre Delivery Tranche equal to the Hull No. 316 Interest when drawn down will be paid directly to the Company when the Subsequent Hull No. 348 Instalment is due and all conditions precedent are satisfied in order to refinance part of the payment of the Subsequent Hull No. 348 Instalment.

6. In respect of the Vessel with Hull No. 347:

- (a) the relevant Pre Delivery Tranche already drawn will be prepaid in accordance with the prepayment notice to be issued in due course;
- (b) all relevant Tranches to be cancelled, which has been done with effect from 10 August 2012;
- (c) all assignments created in relation to the Vessel to be re-assigned; and
- (d) the first instalment paid by the Company to the Builder (the "First Hull No. 347 Instalment") plus 7.5% interest paid thereon from the date of payment (the instalment amount plus the interest being the "Refunded Hull No. 347 Instalment Amount") to be applied towards the next instalment due under the Building Contract in respect of the Vessel with Hull No. 349 (the "Next Hull No. 349 Instalment"), and any amounts standing to the credit of the Company after payment of the Next Hull No. 349 Instalment (due to the accruing of interest mentioned above) (the "Hull No. 347 Interest"), will be applied towards part of the next instalment due in respect of Hull No. 349 after the Next Hull No. 349 Instalment (the "Subsequent Hull No. 349 Instalment").

7. In respect of the Vessel with Hull No. 349:

- (a) the Refunded Hull No. 347 Instalment Amount will be applied to the Next Hull No. 349 Instalment and the instalment thereafter as set out in paragraph 6 above;
- (b) an amount of the Pre Delivery Tranche equal to the First Hull No. 347 Instalment when drawn down will be paid directly to the Company when the Next Hull No. 349 Instalment is due and all conditions precedent are satisfied in order to refinance the payment of the Next Hull No. 349 Instalment; and
- (c) an amount of the Pre Delivery Tranche equal to the Hull No. 347 Interest when drawn down will be paid directly to the Company when the Subsequent Hull No. 349 Instalment is due and all conditions precedent are satisfied in order to refinance part of the payment of the Subsequent Hull No. 349 Instalment.

During the years 2011-12, the Company prepaid and cancelled the facility for the following hulls explained as under:

Year	Hull No.	Prepayment (US\$)	Cancellation (US\$)	Total (US\$)
2011	329	11,999,998	12,000,002	24,000,000
2011	330	11,999,998	12,000,002	24,000,000
2011	313	15,199,999	15,200,001	30,400,000
2011	331	0	2,400,000	2,400,000
2011	333	11,999,998	12,000,002	24,000,000
Sub-Total		51,199,993	53,600,007	104,800,000
2012	315	7,599,999	22,800,001	30,400,000
2012	316	7,599,999	22,800,001	30,400,000
2012	336	0	24,000,000	24,000,000
2012	334	0	5,600,000	5,600,000
2012	335	0	5,600,000	5,600,000
2012	347	7,599,999	22,800,001	30,400,000
Sub-Total		22,799,997	103,600,003	126,400,000
<b>Grand Total</b>		<b>73,999,990</b>	<b>157,200,010</b>	<b>231,200,000</b>

Therefore, the revised Facility amounts against each Hull, drawdowns made against each Hull and Loan outstanding as on 31<sup>st</sup> December 2012 (after repayment/prepayment) is as under:

Hull No.	Post delivery facility (US\$)	Drawdown made (US\$)	Loan outstanding (US\$)
331 (Delivered)	21,600,000	21,600,000	14,165,132
334 (Delivered)	18,400,000	18,400,000	14,988,552
335	18,400,000	11,999,998	11,999,998
337	24,000,000	0	0
338	24,000,000	11,999,998	11,999,998
348	30,400,000	7,599,999	7,599,999
349	30,400,000	7,599,999	7,599,999
<b>Total</b>	<b>167,200,000</b>	<b>79,199,994</b>	<b>68,353,678</b>

### 5.3 New credit facility of USD 22.80 million from NIBC BANK LTD, Singapore

On 28<sup>th</sup> October 2010, ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (the “Subsidiary”) of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company at that time (JV Company) where the Company held 50% interest, entered into a Secured Loan Agreement of USD 22.80 million from NIBC BANK LTD, Singapore to fund 80% of the Contract Price of the new cement carrier ordered by the Subsidiary on 22<sup>nd</sup> April 2010 as explained above. The availability period expired on 15<sup>th</sup> February 2012 and the Subsidiary is in discussions with the Lenders to extend the availability period with possible change in some terms of the facility agreement.

## Summary of Main terms and Conditions of Secured Loan of USD 22.80 million

<b>Borrowers</b>	: ABC One Pte. Ltd., one of the three Singapore registered subsidiaries (the “Subsidiary”) of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company)
<b>Lenders</b>	: NIBC BANK LTD, Singapore
<b>Facility Agent and Security Agent</b>	: NIBC BANK LTD, Singapore
<b>Swap Provider</b>	: NIBC BANK N.V.
<b>Facility Amount</b>	: Secured Term Loan Facility available for multiple drawdowns up to USD 22.80 million.
<b>Purpose</b>	: To finance the pre and post-delivery of a new cement carrier of up to 80% of the Contract Price.
<b>Availability Period</b>	: The facility shall be available for the period up to 90 days after the Shipbuilding Contractual Delivery Date of the Vessel.
<b>Interest Rate</b>	: 3 months’ LIBOR plus Margin of 2.40%.
<b>Commitment Fees</b>	: 1.20% per annum of undrawn amount of the Facility Amount during the availability period.
<b>Financial Covenants</b>	: ABC One Pte. Ltd. to maintain certain financial ratios: <ol style="list-style-type: none"> <li>1. EBITDA of no less than 1.1 times Total Debt Service.</li> <li>2. Total Shareholders’ Equity to the aggregate of Total Shareholders’ Equity and Total Debt of no less than 20%.</li> </ol>
<b>Vessel Covenants</b>	: The Company (PSL) or Great Circle Shipping Agency Ltd to be the manager of the vessel at all times.

### Drawdown, Repayment and other Terms:

	<b>Pre-Delivery Facility</b>	<b>Post-Delivery Facility</b>
<b>Drawdown</b>	As per milestones in the shipbuilding contract whereby the aggregate of all drawings would be equivalent to 60% of the contracted price of the vessel.	100% of the post-delivery facility amount equivalent to 80% of the contracted price of vessel is to be drawn upon delivery of the vessel out of which the entire pre-delivery facility amount (60% of the contract price) will be repaid.
<b>Final maturity</b>	Delivery of vessel.	10 years from delivery of the vessel.
<b>Repayment</b>	To be repaid in one lump sum (from Post-Delivery Facility) upon delivery of vessel.	The aggregate drawings (the Post-Delivery Facility amount) are to be repaid in equal quarterly installments, each equivalent to 1/60 <sup>th</sup> of the Post-Delivery Facility amount with the balance payable as Balloon with last Repayment installment. The first quarterly repayment shall commence 3 months after delivery of the vessel.

## Security

- |  |   |
|--|---|
| a) Corporate Guarantee from Associated Bulk Carriers Pte. Ltd. (the Shareholder of the Subsidiary).  | a) 1 <sup>st</sup> priority mortgage over the vessel.   |
| b) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 holding Companies in proportion to the respective partner's interest in the Subsidiary, which is 50% from the Company and 50% from the JV partner. | b) 1 <sup>st</sup> priority assignment of Earnings and Time Charter with Charterer.   |
| c) 1 <sup>st</sup> priority assignment of the shipbuilding contracts.  | c) Several but not Joint Corporate Guarantees from the Company and the JV Partner's 2 holding companies in proportion to the respective partner's interest (50% holding by each partner) in the Subsidiary for an aggregate amount of upto USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million. |
| d) 1 <sup>st</sup> priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract.   | d) Pledge of the shares of ABC One Pte. Ltd (the Subsidiary) by the JV Company.   |
|  | e) 1 <sup>st</sup> priority assignment of Insurance proceeds.   |
|  | f) 1 <sup>st</sup> priority assignment of the Earnings of the Vessel and a charge over the earnings account and retention account of the vessel.  |

The Borrower has drawn US\$ 11.40 million against this facility as of 31<sup>st</sup> December 2012.

### 5.4 New credit facility of USD 45.60 million from Bangkok Bank Public Company Limited, Singapore:

On 15<sup>th</sup> February 2012, ABC TWO Pte. Ltd. and ABC THREE Pte. Ltd., the Singapore registered subsidiaries (the "Subsidiaries") of Associated Bulk Carriers Pte. Ltd., the Joint Venture Company (JV Company) where the Company held 50% interest at that time, executed a USD 45.60 million Term Loan Facility with Bangkok Bank Public Company Limited, Singapore Branch to finance up to 80% of the Contract Price of two new 20,000 DWT Cement Carriers i.e. Hull No 379 and Hull No. 380 ordered by the Subsidiaries.

#### Summary of main terms and conditions of The USD 45,600,000 Loan Agreement:

<b>Borrowers</b>	: ABC TWO Pte. Ltd. and/or ABC THREE Pte. Ltd. (the "Subsidiaries") of Associated Bulk Carriers Pte. Ltd. (the "JV Company").
<b>Lender</b>	: Bangkok Bank Public Company Limited, Singapore Branch.
<b>Facility Agent</b>	: Bangkok Bank Public Company Limited, Singapore Branch.
<b>Security Agent</b>	: Bangkok Bank Public Company Limited, Singapore Branch.
<b>Interest Rate Swap Provider</b>	: Bangkok Bank Public Company Limited, Singapore Branch.
<b>Purpose</b>	: To finance the Pre and Post-delivery of two new cement carriers i.e. Hull No. 379 and Hull No. 380 of up to 80% of the Contract Price.



<b>Loan Amount</b>	: The Loan for both vessels shall not exceed USD 45,600,000 (the “Loan Amount”) on a joint and several basis comprising: <ul style="list-style-type: none"> <li>I) Two vessel loans each not exceeding USD 22,800,000 per vessel (the “Vessel Loans” and each a “Vessel Loan”); and</li> <li>II) Each Vessel Loan comprising two vessel tranches for each Vessel (the “Vessel Tranche”).</li> </ul>	
<b>Vessel Tranche</b>	: Each Vessel Loan shall be divided into two tranches as follows: <ul style="list-style-type: none"> <li>• <b>Pre-Delivery Tranche:</b> USD 17,100,000 or 60% of the respective Contract Price to be made available in 3 separate disbursements.</li> <li>• <b>Post-Delivery Tranche:</b> USD 22,800,000 or 80% of the respective Contract Price to be made available in a single disbursement, part of which will be used to repay the Pre-Delivery Tranche.</li> </ul>	
<b>Availability Period</b>	: The Vessel Loans shall be made available for drawdown by the Borrowers on a joint and several basis for the respective Pre-Delivery Tranche for each Vessel from execution of the Loan Agreement up to and including the respective Delivery Date for each Vessel, or such other date as may be agreeable to the Lender.	
<b>Interest Rate</b>	: US Dollar LIBOR plus Margin.	
<b>Commitment Fees</b>	: 1.20% per annum of undrawn facility payable quarterly.	
<b>Drawdown</b>	<b>Pre-Delivery Tranche</b> Drawdown of the Pre-Delivery Tranche shall be in accordance with the payment schedule under the Shipbuilding Contract.	<b>Post-Delivery Tranche</b> 100% of the Post-Delivery Tranche Amount is to be drawn upon delivery of the respective vessels.
<b>Repayments</b>	<b>Pre-Delivery Tranche</b> The Pre-Delivery Tranche shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown.	<b>Post-Delivery Tranche</b> Each Vessel Loan will be repaid over 39 quarterly installments of USD380,000 from the end of the first quarter after Delivery and a final installment of USD7,980,000 at the end of the Term.
<b>Security</b>	<b>Pre-Delivery Tranche for each Vessel</b> <ul style="list-style-type: none"> <li>• First priority assignment of the Shipbuilding Contract;</li> <li>• First priority assignment of the Refund Guarantees;</li> <li>• Pledge of shares of the Borrowers held by the JV Company;</li> <li>• Corporate Guarantee from the JV Company;</li> </ul>	<b>Post-Delivery Tranche for each Vessel</b> <ul style="list-style-type: none"> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of all earnings, insurance policies and requisition compensation on the Vessels;</li> <li>• First priority assignment of Time-Charter contracts;</li> <li>• First priority charge over the Earnings Account and Retention Account;</li> <li>• Corporate Guarantee from the JV Company;</li> </ul>

- Corporate Guarantee from the Company and the JV Partner Varada Marine Pte. Ltd. (“the JV Partner”) on a several basis to the extent of their respective pro-rata shareholdings in the JV Company (50:50 basis). The Corporate Guarantee of the JV Partner shall be provided by Varada Marine Pte. Ltd. and Varada Global Pte. Ltd. on joint and several basis.
- Corporate Guarantees from the Company and the JV Partner in proportion to the respective partner’s interest (50% holding by each partner) in the JV Company for an aggregate amount of up to USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million. The Corporate Guarantee of the JV Partner shall be provided by Varada Marine Pte. Ltd. and Varada Global Pte. Ltd. on joint and several basis.

- Financial Covenants** : Commencing from the respective Delivery Date, each Borrower shall ensure it maintains throughout the Facility Period:
1. Debt Service Coverage Ratio (“DSCR”) of no less than 1.1 times;
  2. Equity Ratio (ratio of Equity to Total Assets) of no less than 20%;
- Other Covenants** :
- No change in management or ownership of either Borrower and no termination made to the joint venture agreement between the Company and the JV partner without prior approval of the Agent; and
  - No restrictions on dividend payments by the Company. Borrowers also allowed to pay out dividends to shareholders without any restriction unless DSCR is less than 1.1 times or a Default has occurred and is continuing.

The Company has not drawn any amount against this facility as on 31<sup>st</sup> December 2012 and is in discussion with the Lenders to update the Facility terms after the new orders placed for the 2 Cement carriers in China as explained in 3.2 (d) above to maintain the Facility.

## 5.5 New credit facility of USD 84.96 million from ING Bank N.V., Singapore and DNB Bank ASA, Singapore

On 14 October 2011, the four Single Purpose Subsidiaries (SPCs) in Singapore of the Company’s Singapore subsidiary, viz. Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.), Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd.), Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd.), executed a USD 84.96 million Term Loan Facility with ING Bank N.V., Singapore Branch and DNB Bank ASA, Singapore Branch to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 DWT Dry Bulk vessels ordered by the SPCs to be built in China.

### Summary of Main terms and Conditions

- Borrowers/Owners** : Precious Comforts Pte Ltd. (formerly OSW6 Pte. Ltd.)  
Precious Sparks Pte Ltd. (formerly OSW7 Pte. Ltd.)  
Precious Visions Pte Ltd. (formerly OSW8 Pte. Ltd.) and  
Precious Bridges Pte Ltd. (formerly OSW9 Pte. Ltd.)
- Lenders** : ING Bank N.V., Singapore Branch (“ING”) and  
DNB Bank ASA, Singapore Branch (“DNB”)
- Swap Providers** : ING and DNB

Facility Agent	:	ING				
Security Agent	:	DNB				
Guarantor	:	Precious Shipping Public Company Limited, Thailand (“PSL”)				
Purpose	:	To provide up to 80% financing of the Total Acquisition Cost of USD 106,200,004 (i.e. USD 26,550,001 per Vessel) of four new 57,000 DWT dry bulk Vessels. Total Acquisition Cost being the aggregate of: <ul style="list-style-type: none"><li>i) Total purchase price of shares acquired in the 4 Borrowers: USD 6,800,004;</li><li>ii) Total shipbuilding contract price of the Vessels: USD 98,000,000; and</li><li>iii) Expenses relating to fulfillment of PSPC regulations: USD 1,400,000.</li></ul>				
Facility Amount	:	Maximum USD 84,960,000 to be divided into 4 Vessel Tranches comprising: <b>Pre-Delivery Facility Amount per Vessel Tranche</b> Up to USD 16,060,000 <b>Post-Delivery Facility Amount per Vessel Tranche</b> Up to USD 21,240,000 or 80% of the Fair Market Value, whichever is lower. The Facility Amount shall be split among the Lenders as follows: ING: USD 53,960,000 DNB: USD 31,000,000				
Interest Rate	:	USD LIBOR plus Margin.				
Commitment Fees	:	50% of margin per annum of undrawn facility payable quarterly.				
Final Maturity Dates	:	8 years after Final Drawdown of each Vessel Tranche.				
Availability Period and Drawdown	:	<table><tr><td><b>Pre-Delivery Facility:</b></td><td><b>Post-Delivery Facility:</b></td></tr><tr><td>Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).</td><td>100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.</td></tr></table>	<b>Pre-Delivery Facility:</b>	<b>Post-Delivery Facility:</b>	Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).	100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.
<b>Pre-Delivery Facility:</b>	<b>Post-Delivery Facility:</b>					
Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).	100% of the Post-Delivery Facility Amount is to be drawn upon delivery of the respective vessels.					
Repayment	:	<table><tr><td><b>Pre-Delivery Facility:</b></td><td><b>Post-Delivery Facility:</b></td></tr><tr><td>The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery draw-down.</td><td>For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.</td></tr></table>	<b>Pre-Delivery Facility:</b>	<b>Post-Delivery Facility:</b>	The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery draw-down.	For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.
<b>Pre-Delivery Facility:</b>	<b>Post-Delivery Facility:</b>					
The Pre-Delivery Facility shall be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery draw-down.	For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the Final Drawdown of each Vessel. At Final Maturity, all amounts outstanding shall be repaid and the respective Vessel Tranches reduced to zero. Corporate Guarantee from the Guarantor; and All the above Post- Delivery securities to be cross collateralised.					

<b>Security</b>	<div> <div><b>: Pre-Delivery Facility:</b></div> <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority assignment of Refund Guarantees issued by the China Merchants Bank, or any other banks/financial institutions acceptable to the Lenders;</li> <li>• First priority assignment of the Shipbuilding Contracts; and</li> <li>• Corporate Guarantee from the Guarantor.</li> </ul> </div> <div> <div><b>Post-Delivery Facility:</b></div> <ul style="list-style-type: none"> <li>• Pledge of shares of the Borrowers;</li> <li>• First priority mortgage on the Vessels;</li> <li>• First priority assignment of earnings and time charters;</li> <li>• First priority charge over the Earnings Accounts with the Security Agent;</li> <li>• First priority assignment of all insurances and requisition compensation of the Vessels; Corporate Guarantee from the Guarantor; and</li> <li>• All the above Post-Delivery securities to be cross collateralised.</li> </ul> </div>
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During 2012, the respective Borrowers have drawn US\$ 53.2 Million against this facility as on 31 December 2012 for 3 Ships and subsequently drawn US\$ 18 million for the fourth Ship in January 2013, and accordingly, the Company has drawn only US\$ 71.2 Million against this facility which is now closed.

## 5.6 New or Secondhand Ships acquisition credit facility from Export-Import Bank of Thailand

On 17<sup>th</sup> February 2012, the Company executed a USD 100 million Term Loan Facility with Export-Import Bank of Thailand ("EXIM") to finance up to 80% of the Acquisition Cost of new or second-hand Dry Bulk Vessels that may be acquired by the Company.

## Summary of main terms and conditions of the USD 100 million Loan Agreement:

<b>Borrowers</b>	: Precious Shipping Public Company Limited and/or its wholly owned subsidiaries.
<b>Lender</b>	: Export-Import Bank of Thailand ("EXIM").
<b>Purpose</b>	: To provide up to 80% financing of the Acquisition Cost of new or second-hand Dry Bulk Vessel(s), provided that such Vessel(s) are: (i) not more than 15 (Fifteen) years old; and (ii) not less than 18,000 (Eighteen Thousand) DWT.
<b>Facility Amount</b>	: Up to USD 100 million in multiple drawdowns.
<b>Interest Rate</b>	: 6 months LIBOR plus margin.
<b>Management fee</b>	: 1% per annum of the total outstanding loan for the first 5 years after first drawdown.
<b>Commitment Fees</b>	: 0.7% per annum of undrawn facility payable quarterly.
<b>Availability Period</b>	: Up to 30 <sup>th</sup> December 2012.
<b>Repayment</b>	: The total loan outstanding shall be repaid in 8.5 years in 34 equal quarterly installments, beginning 3 months after the end of the Availability Period.
<b>Security</b>	: <ul style="list-style-type: none"> <li>• First priority mortgage on the financed Vessels; and</li> <li>• Pledge of shares of the Subsidiary Borrowers.</li> </ul>
<b>Financial Covenants</b>	: <ul style="list-style-type: none"> <li>• At the end of each calendar year, the Borrower will be subject to the following financial covenants based on its consolidated financial statements in US Dollars: Debt Service Coverage Ratio shall be at least 1.1 : 1;</li> <li>• Net Funded Debt to EBITDA shall not exceed 5:1;</li> <li>• Debt to Equity Ratio shall not exceed 2:1.</li> </ul>
<b>Vessel Covenants</b>	: <ul style="list-style-type: none"> <li>• Financed vessels have to be registered in Thailand</li> <li>• If the value of the financed vessels is less than 125% of the total outstandings to be tested on an annual basis, the Borrower will provide additional security or prepay the excess part of the total outstandings.</li> </ul>
<b>Other Covenants</b>	: No restriction on dividend payments by PSL. Borrowers allowed to pay out dividends to shareholders without any restriction unless an Event of Default or Potential Event of Default has occurred and is continuing and there is an outstanding amount due on the Loan.

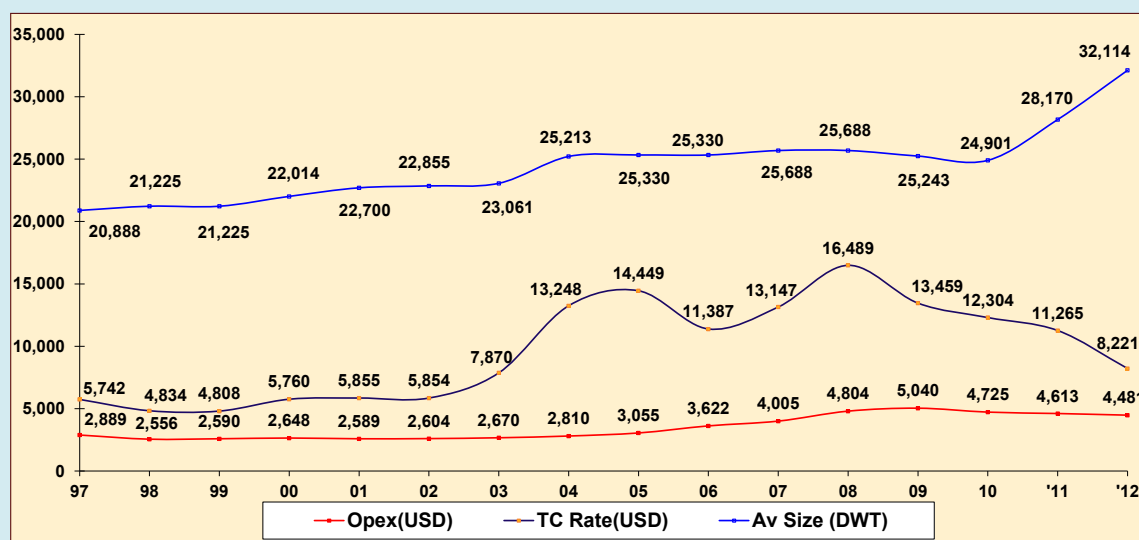
The Shipowning Subsidiaries Company have drawn US\$ 30.02 Million against this facility as on 31<sup>st</sup> December 2012 to finance 2 Ships acquired during the year.

On 27<sup>th</sup> December 2012, the Company executed the Amendment Agreement to this Facility mainly to extend the availability period of the balance Facility of USD 69.98 million from 30<sup>th</sup> December 2012 to 30<sup>th</sup> December 2013.

## 6. SHIP OPERATING EXPENSES AND SHIP EARNINGS

### AVERAGE OPEX / TC RATES (1997 - 2012)

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Avg Age	14.24	14.59	15.59	15.57	15.65	15.82	16.60	17.35	18.98	19.98	19.59	20.59	17.08	15.43	14.20	11.36



The average earnings per day per ship (TC Rate) reached US\$ 8,221 in 2012, while average daily operating expenses per ship (Opex) was US\$ 4,481.

The freight market started falling in the beginning of 2012, after which it improved briefly in the beginning of second quarter of 2012 but thereafter has fallen again with marginal rebound in the 3<sup>rd</sup> Quarter of 2012 to lift the Baltic Dry Index (BDI) to 1,162 points which was the year's highest level. The average BDI was 920 points in 2012 as compared to 1,549 points in 2011. The Company has achieved average daily earnings per ship (TC Rate) of US\$ 8,221 which is about 27% lower as compared to that of 2011, due to the fact that some vessels whose long term charters expired during the year 2012 had to be chartered at the then prevailing rates in 2012 which were lower than the rates of the previous Charters signed prior to 2012.

PSL's daily Ship operating Expenses per ship (Opex) have decreased from US\$ 4,613 per day (including US\$ 690 per day on account of Dry-dock and Special Survey costs) in 2011 to US\$ 4,481 per day (including US\$ 542 per day on account of Dry-dock and Special Survey costs) in 2012 which is, as always, far below the Industry Average (excluding Dry-dock and Special Survey costs which are not reported in Opex) as explained in the following Table:



## PSL OPEX comparison with Industry (compiled by Moore Stephens & Co.)

For years Particulars	Industry 2011 US\$ (Per Day)	PSL 2011 US\$ (Per Day)	PSL 2012 US\$ (Per Day)
Crew Wages	1,946	1,766	1,951
Provisions	166	172	168
Crew Other	310	207	192
<b>Crew Cost Total</b>	<b>2,422</b>	<b>2,145</b>	<b>2,311</b>
Lubricants	345	287	296
Stores Other	344	243	200
<b>Stores Total</b>	<b>689</b>	<b>530</b>	<b>496</b>
Spares	380	204	196
Repairs & Maintenance	428	121	126
<b>Repairs &amp; Maintenance Total</b>	<b>808</b>	<b>325</b>	<b>322</b>
P& I Insurance	272	197	171
Insurance	262	235	188
<b>Insurance Total</b>	<b>534</b>	<b>432</b>	<b>359</b>
Registration Costs	26	0	0
Management Fees	647	424	384
Sundries	216	67	67
<b>Administration Total</b>	<b>889</b>	<b>491</b>	<b>451</b>
<b>Total Operating Costs</b>	<b>\$5,342</b>	<b>\$3,923</b>	<b>\$3,939</b>

Further, specifically for the Company, the major reasons for the decrease in certain components of Opex as compared to previous years are summarised as under:

- Management expenses which are “fixed” in nature did not increase due to the tight control exercised on costs and were lower in 2012 on an average per ship basis because of the slightly higher number of vessels operated in 2012 as compared to the previous year. Management expenses which are “variable” in nature and depend mainly on the remuneration of the technical staff were lower as total remuneration paid was lower in year 2012 as compared to the previous year due to the reduced profitability of the Company.
- Crew costs continued to rise and the rise will probably continue in the next year as well.
- Drydocking and Special Survey Amortisation expenses were lower due to the reduction in average age of the fleet employed in 2012 as compared to the previous year.

## 7. FINANCIAL PERFORMANCE BASED ON US DOLLAR (FUNCTIONAL CURRENCY) FINANCIAL STATEMENTS

The following table summarises the financial performance of the Company for the last 2 years. All figures quoted are from the US Dollar (Functional Currency) Financial Statements (per Note 38 to Audited Consolidated Financial Statements)

For the year ended / as at	31 <sup>st</sup> Dec-11	31 <sup>st</sup> Dec-12
	Million US\$	Million US\$
<b>Income Statement</b>		
Total Revenues	112.19	123.24
Net Ship Operating Income	85.58	86.93
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*</b>	<b>41.42</b>	<b>30.83</b>
Depreciation*	14.90	22.19
EBIT	26.52	8.64
Finance cost	14.35	13.95
Operating profit (loss)	12.17	(5.31)
Other non-operating profit	11.59	9.89
<b>Net Profit before Tax</b>	<b>23.76</b>	<b>4.58</b>
Income Tax	0.12	0.13
<b>Net Profit</b>	<b>23.64</b>	<b>4.45</b>
<b>Financial Position</b>		
Investments in Associated Companies	3.52	3.42
Ships at Cost	445.03	695.88
Dry-docking and Special Survey	14.68	18.19
Cash & Cash Equivalents	138.04	62.06
Current Assets	190.01	96.03
Advances for vessels constructions - net of current portion	207.37	145.58
<b>Total Assets</b>	<b>722.39</b>	<b>784.47</b>
Long-term loans - net of current portion	199.04	269.82
Current Liabilities	33.05	36.55
Non-Current Liabilities	5.73	5.25
<b>Total Liabilities</b>	<b>237.82</b>	<b>311.62</b>
Equity Share Capital	35.31	35.31
<b>Total Shareholders Equity or Tangible Net Worth</b>	<b>484.57</b>	<b>472.85</b>
Net Book Value per share (US\$)	0.47	0.45
Return on Assets	3%	1%
Return on Equity	5%	1%
<b>Ratios (times)</b>		
Current Ratio	5.75	2.63
Funded Debt/Equity	0.46	0.63
Total Liabilities/Equity	0.49	0.66
Funded Debt/EBITDA	5.35	9.60
Debt Service Cover	1.88	1.03
EBITDA/Interest	2.89	2.21
Dividend yield **	3%	3%

\* EBITDA and Depreciation are considered after depreciation on dry-docking and special survey expenses. These expenses are included in ship operating cost for the purpose of computing EBITDA, which is in line with Company's policy of disclosing average daily ship operating expenses (opex) after including dry docking and special survey expenses.

\*\* Dividend yield is presented as a percentage of the closing share price as at the end of the year.

## 7.1 Revenues and Profitability

Total revenues have increased from US\$ 112.19 million (including gain on novation of Newbuilding Contracts of US\$ 10.52 million) in 2011 to US\$ 123.24 million (including gain on novation of Newbuilding Contracts of US\$ 9.77 million) in 2012. The net ship operating income has increased from US\$ 85.58 million in 2011 to US\$ 86.92 million in 2012 only marginally even after a substantial increase in average number of ships in 2012 as compared to 2011, because of decrease in average ship earnings per day per ship (TC Rate) in 2012 as compared to 2011. The lower average daily earnings are attributed to the very weak markets witnessed in Year 2012. The average number of ships operated in 2012 was 30 as compared to 22 in 2011. Consequently, operating cash flows or Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) have decreased from US\$ 41.42 million in 2011 to US\$ 30.83 million in 2012. The average earnings per day per ship (TC rate) have decreased from US\$ 11,265 in 2011 to US\$ 8,221 in 2012 while average vessel daily ship running expenses (Opex) have decreased from US\$ 4,613 in 2011 to US\$ 4,481 in 2012. As a result of lower net ship operating income above, gross profit for 2012 was lower as compared to 2011.

The average daily ship operating expenses have decreased and remain far below the Industry average as explained in No. 6 above.

Depreciation (excluding depreciation of dry-dock and special survey cost) has increased from US\$ 14.90 million in 2011 to US\$ 22.19 million in 2012 due to increase in average number of ships operated during 2012 as compared to 2011 as a result of the additional depreciation on 11 Ships that were delivered in 2012. Finance cost has decreased from US\$ 14.35 million in 2011 to US\$ 13.95 million in 2012. During 2012, Interest expenses increased due to loans drawn for buying the 9 Ships in year 2012 as compared to 5 Ships in year 2011 but Commitment fees and extension fees reduced considerably because of drawdown of loans as explained in section 5. Interest on loans drawn for newbuilding orders have been capitalized to the respective vessels under construction.

Due to the appreciation of the Thai Baht against the US Dollar in the year, the exchange rate (THB/ US\$) applied at the end of 2012 was lower as compared to the previous year. As a result of the translation of the Thai Baht denominated current liabilities into U.S. Dollars at the lower rate, there was an exchange loss which is one of the main reasons for exchange loss of US\$ 0.18 million in 2012.

With decrease in gross profit margin, the company incurred operating loss of US\$ 5.31 million as compared to operating gain of US\$ 12.17 million in 2011.

Income Tax has increased slightly from US\$ 0.12 million in 2011 to US\$ 0.13 million in 2012 being the Income-tax on non-shipping income.

As a result of the above factors, the Company's Net Profit decreased from US\$ 23.64 million in 2011 to US\$ 4.45 million in 2012.

## 7.2 Assets, Liabilities and Shareholders' Equity Investments

The following table summarises the position of all Investments in Foreign Joint Ventures in the Financial Statements as of 31<sup>st</sup> December 2012 (figures in US Dollars):

Jt. Venture Projects	Investment			**Advance	Total	***Provision made for			Balance as on 31 <sup>st</sup> December 2012		
	Cost	*Equity Adj	Total			Investment	**Advance	Total	Investment	Advance	Total
<b>Current Investments</b>											
SLPG	872,727	(323,596)	549,131	567,829	1,116,960	549,131	567,829	1,116,960	0	0	0
<b>Long Term Investments</b>											
ISPL - Haldia	2,037,650	1,380,199	3,417,849	0	3,417,849	0	0	0	3,417,849	0	3,417,849
<b>TOTAL</b>	<b>2,910,377</b>	<b>1,056,603</b>	<b>3,966,980</b>	<b>567,829</b>	<b>4,534,809</b>	<b>549,131</b>	<b>567,829</b>	<b>1,116,960</b>	<b>3,417,849</b>	<b>0</b>	<b>3,417,849</b>

\* Equity adjustment means adjustments (+/-) made to value at equity method.

\*\* Advance means contributions made as shareholders and are presented under "other current assets".

\*\*\* Provisions made for "Investments" towards "Equity" component were presented as "Allowance for loss on current investments" and Provisions made for "Others" towards "Advance" were presented as Bad debts and allowance for doubtful accounts" both of which were made in the year 2002.

During the year 2006, the Company invested in 2,026,086 ordinary shares of par value of Baht 10 each, in TMN Company Limited, registered in Thailand (TMN) of which Baht 5 per share is paid-up, which works out to US\$ 0.26 million. The Company has not made any further investment in TMN in year 2012.

### **Current Assets**

As compared to the end of the previous year (2011), there is a decrease of US\$ 93.98 million in the current assets as at 31<sup>st</sup> December, 2012, mainly due to reduction in Cash and Cash equivalents by US\$ 75.98 as compared to 2011 and reduction of current portion of Advances from US\$ 41.88 million to US\$ 15.77 million for Hulls 316, 347 and 380 which are novated/cancelled. Receivables, net of all provisions, which are part of current assets increased by US\$ 3.13 million as a result of an increase in voyage charters during the year as compared to the previous year. In any case, as is customary in the shipping business, the Company actually collects almost all its income in advance (95% of Freight in case of a Voyage Charter and 15 days' Hire in case of Time Charter) and as such, there is no concern on collection of receivables and consequently, the amount presented as receivables is only on account of miscellaneous dues from Agents, Charterers and accrual of income on the basis of percentage of voyage completed. Bunker oil Stock increased from US\$ 2.18 million to US\$ 4.79 million due to Stock on higher number of Ships fixed on Voyage Charter as at the end of 2012 as compared to 2011.

### **Property, Plant and Equipment**

The value of Property, Plant and Equipment of the Company has increased from previous year's levels mainly on account of delivery of Hull number 334 (Benjamas Naree) from ABG Shipyard, four 57K Supramax Vessels delivered from China and Six Handysize ships acquired and delivered during the year. As at 31<sup>st</sup> December 2012, the Company owned 36 ships, details of which have been provided in the Fleet List separately in this Report.

The details of Ship Purchases and Deliveries in 2012 have been provided in 3.1, 3.3 and 3.4 above.

### **Advance for construction of New Ships:**

The Company had entered into 12 Shipbuilding contracts for 12 handysize bulk carriers of size 32,000 DWT and 6 Shipbuilding contracts for 6 supramax bulk carriers of size 54,000 DWT with ABG Shipyard Limited, India during years 2007-2008. During 2012, the Company novated 2 Shipbuilding contracts of Handysize Bulk Carriers and 3 Shipbuilding Contracts for Supramaxes as explained in 3.1 above. The Company has capitalized installments paid for construction, supervision expenses and Interest aggregating US\$ 142.41 million as on 31<sup>st</sup> December 2012 as explained in note 3.1 above. The Company has received US\$ 3.64 Million as advance against Novation agreements signed in September 2012. Therefore, after adjusting the advance of US\$ 3.64 Million, the net capitalized installments are US\$ 138.77 Million as at the end of 2012. The company has also capitalized Installments, Supervision expenses and Interest aggregating US\$ 22.58 million (50 percent of our share in JV Company) for 3 shipbuilding contracts for 3 new cement bulk carriers and 2 Shipbuilding contracts for 2 new Cement bulk carriers ordered in December 2012 as explained in note 3.2 above.

The Company has classified US\$ 15.77 million of advances for vessel constructions of Hull 316, 347 and 380 under Current Assets as their new buildings contracts are novated/cancelled and the installments are expected to be received by the Company. In accordance with the above, the company has a balance of US\$ 145.58 for Advances for vessel constructions (net of current portion) and US\$ 161.35 Million in aggregate as Advances for Vessel Construction as of 31<sup>st</sup> December 2012 which is presented mainly as a non-current asset.

### **Total Liabilities**

The Company's secured debt (net of current portion) is US\$ 269.82 million and secured debt balance is US\$ 296.00 million as at the end of year 2012, including Bank loans of US\$ 68.35 million against the newbuilding loan facility explained in 5.2 above. The Company has also drawn Thai Baht 1,502.35 million

for buying 2 second hand Ships. The Company swapped the Principal amount of Baht 1,502.35 Million to US\$ 45.90 Million against the hedging facility out of which, US\$ 39.66 million is outstanding as at the end of year 2012. Apart from newbuilding loan facility explained in 5.2, during 2011, the Company has drawn US\$ 92 Million for funding the purchase of 4 Ships out of which, Company took delivery of 3 Ships in year 2011 and one Ship in January 2012 out of which, US\$ 69.00 million is outstanding as at the end of year 2012 and during 2012, the Company has drawn US\$ 133.22 Million for funding the purchase of 8 Ships out of which, US\$ 119.11 Million is outstanding as at the end of year 2012. The company has also drawn US\$ 11.40 million (out of which US\$ 5.70 million being Company's 50 percent share in JV Company is shown) from NIBC Bank against newbuilding loan facility, for paying to ABG Shipyard Limited (Builder) towards second and third installments of the first new Cement bulk carrier as explained in note 3.2 above. Deferred financial fees of US\$ 5.82 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities.

Consequently, the total liabilities have increased from US\$ 237.82 million in 2011 to US\$ 311.62 million in 2012.

### **Shareholders' Equity**

Due to the net profits of US\$ 4.45 million earned during the year, dividends pay-out of US\$ 15.08 million (Baht 0.45 per share including Final Dividend of 2011) during 2012, and net decrease of US\$ 1.09 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve, other components of shareholders equity, translation adjustment and minority interest, the Shareholders' Equity is now at US\$ 472.85 million, which is a slight decrease of US\$ 11.72 million in the Shareholders' Equity as compared to the end of the previous year. As a result of decrease in Shareholder's Equity as explained above, the net book value per share has decreased from US\$ 0.47 per share as at the end of 2011 to US\$ 0.45 share as at the end of 2012.

## **7.3 Leverage, Liquidity and Coverage**

As the Company's EBITDA remained at respectable levels during 2012 and the Company had US\$ 299.46 million outstanding secured debt (including the pre-delivery debt for payment of advances for newbuildings) at the end of the year, the leverage ratios remain reasonably strong. As at 31<sup>st</sup> December 2012, the Company's funded debt level (including the pre-delivery debt for payment of advances for newbuildings) is 9.60 times its EBITDA (without any annualisation of the EBITDA of the Vessels acquired and delivered during the year). This ratio is 8.14 if we exclude the pre-delivery debt for payment of advances for newbuildings. The Company's overall gearing (Total Liabilities/Tangible Networth) is 0.66 times as at 31<sup>st</sup> December 2012, which has increased from 0.49 times as at 31<sup>st</sup> December 2011, due to increase in secured debt as explained above.

The Company's debt service cover for 2012 was a reasonably healthy 1.03 times. The ratio of EBITDA/Interest is 2.21 times as of 31<sup>st</sup> December 2012. This ratio is a healthy 4.05 if we include just interest paid for funded debt and exclude all other finance costs such as loan arrangement fees and extension fees for arranging various credit facilities. Both these ratios show the Company's strong ability to service the existing debt or conversely its capacity to draw more debt for fleet rejuvenation.

## **8. REVIEW AND ANALYSIS OF AUDITED CONSOLIDATED THAI BAHT FINANCIAL STATEMENTS**

### **8.1 Analysis of Income Statements**

The Net Ship Operating Income (net of voyage disbursements and bunker consumption) for 2012 has increased only marginally (about 3 percent) even after increase in average number of ships in 2012 as compared to 2011 because of the decrease in average ship earnings per day per ship (TC Rate) in 2012 as compared to 2011. The average number of ships operated in 2012 was 30 as compared to 22 in 2011.

During 2012, the ship running expenses increased by about 44 percent in absolute terms as compared to 2011 mainly due to higher average number of vessels operated during the year as explained above. However, in fact, average Vessel operating expenses per day per Vessel (Opex.) have come down from USD 4,613 for the year 2011 to USD 4,481 in the year 2012 (including depreciation/amortisation of the Drydocking/Special Survey expenses in both years).

During 2012, the total ship operating costs increased by about 53 percent in absolute terms, over the total ship operating costs of the previous year. During 2012, ship disbursements and bunker consumption increased due to increase in voyage charters during the year as compared to the previous year. The increase in total ship operating costs is mainly due to higher average number of vessels operated during the year as explained above.

Absolute Gross Profit has decreased by about 17 percent as compared to the previous year and the Gross Profit Margin has also decreased from 57 percent to 41 percent as compared to the previous year because of the decrease in average ship earnings per day per ship (TC Rate). As a result of the higher net ship operating revenues as explained above, the total revenues during the year, in absolute terms, are higher than that of the previous year.

Administrative expenses for 2012 have decreased by Baht 7.86 million as compared to 2011 due to a decrease in personnel expenses, mainly due to lower Bonus accrual for the year due to lower Net Profit.

Finance cost has decreased from Baht 440.76 million in 2011 to Baht 433.66 million in 2012. During 2012, Interest expenses increased due to loans drawn for buying the 9 Ships in year 2012 as compared to 5 Ships in year 2011 but Commitment fees and extension fees reduced considerably because of drawdown of loans as explained in section 5. It is to be noted that apart from Interest cost for buying the 9 ships, the finance costs for 2012 mainly comprise of fees paid for extension of secured debt facilities during 2012, the commitment fees paid for maintaining the secured debt facilities during 2012 and deferred expenses written off for the reduction in loan amounts which is explained separately in 5.1, 5.2 and 5.5 above but Interest on loans drawn for payment of installments against the newbuilding orders has been capitalized.

The total expenses (excluding depreciation) in 2012, as compared to the previous year, are higher due to the increase in total ship operating costs as explained hereinabove. The Depreciation for 2012 has increased from Baht 646.56 million in 2011 to Baht 910.30 million in 2012 due to increase in average number of ships operated during 2012 as compared to 2011 as a result of the additional depreciation on 11 Ships that were delivered in 2012.

The Company recorded exchange loss of Baht 5.65 million for 2012 as against exchange loss of Baht 5.45 million for 2011. The corporate income tax was Baht 3.64 million for the year 2011 and Baht 4.15 million for the year 2012 which in both the years mainly represented the income tax on interest income.

As a result of the above factors, the Company has reported Net Profit of Baht 141.03 million for 2012 as compared to Baht 718.52 million in the previous year.

## **8.2 Analysis of Statements of Comprehensive Income**

The Company reported Baht 514.06 Million as other comprehensive Loss for year 2012 as compared to Income of Baht 725.54 million for year 2011. This was mainly due to depreciation of U.S. Dollars in terms of Thai Baht, thereby decreasing the value of Net Assets, mainly Plant, Property and Equipment and advances paid to Ship Builders under new shipbuilding Contracts as explained in point 3 above, while translating into Thai Baht which is Company's Presentation Currency. Due to the above, the company reported Baht 370.38 Million as Total Comprehensive Loss for Year 2012 as against Total Comprehensive Income of 1,446.35 Million for Year 2011.



### 8.3 Analysis of Statements of Financial Position

As compared to the end of the previous year (2011), there is a decrease of Baht 3,080.10 million in current assets as at 31<sup>st</sup> December, 2012, mainly due to reduction in Cash and Cash equivalents by Baht 2,473.70 Million as compared to 2011 and reduction of current portion of Advances from Baht 1,327.30 million for vessel constructions of Hull 333 and 315 classified under Current Assets to Baht 483.00 Million for Hulls 316, 347 and 380 which are novated/cancelled. Trade Receivables and Bunker oil were higher as result of an increase in voyage charters during the year as compared to the previous year.

Receivables, net of all provisions which are part of current assets increased by Baht 91.69 million and Bunker oil Stock increased by Baht 77.79 million as compared to the previous year. The Company continues to be in an extremely comfortable position in terms of liquidity with more than adequate cash balances at all times.

The value of Property, Plant and Equipment of the Company has increased from previous year's levels on account of delivery of Hull number 334 (Benjamas Naree) from ABG Shipyard, Four 57K Supramax from China as explained in 3.3 and Six Handysize ships as explained in 3.4. The Company has paid Baht 4,942.35 million towards advance for new building ships as at the end of 2012 as explained in 3 above. The Total Assets have increased mainly due to increase in Property, Plant and Equipment as explained above.

Total current liabilities have increased by Baht 72.21 million as compared to the previous year mainly due to increase in current portion of long term loan. As at the end of 2012, the Company's Long term Loan (net of current portion) is Baht 8,265.02 million and total long term loans are Baht 9,066.99 million including Bank loans of Baht 2,093.79 million against new building loan facility explained above in 5.2, for paying to ABG Shipyard Limited (Builder) towards installments of 6 Ships ordered as explained in 3.1 above and also for Hull number 331 (Ananya Naree) and Hull number 334 (Benjamas Naree) which were delivered in year 2011 and 2012 respectively. The Company has also drawn Thai Baht 1,502.35 million for buying 2 second hand Ships out of which Baht 1,214.87 million is outstanding as at the end of year 2012. Apart from newbuilding loan facility explained in 5.2, during 2011, the Company has drawn Baht 2,915.59 Million for funding the purchase of 4 Ships out of which, Company took delivery of 3 Ships in year 2011 and one Ship in January 2012 out of which Baht 2,113.58 million is outstanding as at the end of year 2012 and during 2012, the Company has drawn Baht 4,098.96 Million for funding the purchase of 8 Ships out of which Baht 3,648.44 Million is outstanding as at the end of year 2012. The company has also drawn Baht 349.20 million (out of which Baht 174.60 million is Company's 50 percent share in JV Company) from NIBC Bank against newbuilding loan facility, for paying to ABG Shipyard Limited (Builder) towards second and third installments of first new Cement Carrier as explained in note 3.2 above. Deferred financial fees of Baht 178.29 million are presented as deduction from Secured loan basis proportionate amount of drawdown made so far from all the secured loan facilities.

The total liabilities have increased from Baht 7,536.75 million in 2011 to Baht 9,545.46 million in 2012. This is mainly due to increase in long term loans as explained above.

Due to the net profits of Baht 141.03 million and other comprehensive Loss of Baht 514.06 million of the year, dividends of Baht 467.70 million (Baht 0.45 per share including final dividend of 2011) paid during 2012, and net decrease of Baht 31.54 million on account of cumulative effect of change in Accounting policy for employee benefits, CSR Reserve, other components of shareholders equity and minority interest, the Shareholders' Equity is now at Baht 14,484.23 million, which is lower by Baht 872.27 million over the Shareholders' Equity as compared to the end of the previous year.

### 8.4 Analysis of Statements of Cash flows

During the year under review, Baht 1,076.15 million was generated from operations. This is about 14 percent lower than the cash generated from operations in the previous year. The decrease is due to the lower Gross Profit earned for the reasons explained hereinabove.

After adjusting for the Working Capital Changes, the net cash generated from operations of Baht 751.18 million was available for use in investing and financing activities.

During the year, Baht 1,728.63 million was received as proceeds from novation of 2 newbuilding contracts and Baht 5,146.62 million was paid for acquisition of 11 Ships and dry docking/ special survey expenses. The Company has also paid Baht 1,138.15 million towards advances against orders for new ships (including capitalized interest paid on amount funded through secured loan drawn against the newbuilding financing facility). After adjustments, the net cash flow used in investing activities was Baht 4,537.03 million.

During the year, the Company has drawn Baht 368.09 million against the Newbuilding credit facility for paying to ABG Shipyard Limited (Builder) on account of installment of 1 Ship, Baht 565.09 million for post-delivery tranche of Hull 334 (Benjamas Naree), Baht 1,642.54 million for post-delivery tranche for 3 newbuildings as explained in 3.3 and also drawn Baht 2,456.42 million for buying 5 second-hand Ships as explained in 3.4 above resulting in total loans drawn of Baht 5,032.14 million during 2012. The company paid Baht 1,174.32 Million on account of contractual principal repayments, prepayments of Baht 864.64 million and other prepayments of Baht 708.56 million made as explained in 5.2 above, resulting in total repayments (including prepayments) of Baht 2,747.52 million of long term loans. Baht 467.70 million was paid out as Dividends. After adjustments, the net cash flow from financing activities was Baht 1,430.18 million. Through healthy operating cash flows and efficient working capital management, the Company maintained sufficient cash balances at all times without any kind of liquidity problems.

# REPORT ON THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the Company's financial statements and financial information presented in this Annual Report. The aforementioned financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles, using appropriate accounting policies consistently employed by the Company after applying prudent judgment and best estimation. Important information is adequately disclosed in the notes to the financial statements.

The Board of Directors has provided for and maintained efficient internal control systems to ensure that accounting records are accurate, complete and adequate to protect the Company's assets and uncover weaknesses in order to prevent fraud or materially irregular operations.

To accomplish this task, the Board of Directors has appointed an Audit & Corporate Governance Committee, which consists fully of Independent Directors and the Committee is, inter alia responsible for the quality of financial statements and internal control systems, with the Committee's comments on these issues included in the Audit & Corporate Governance Committee Report in this Annual Report.

The Board of Directors is of the opinion that the Company's overall internal control system has functioned up to a satisfactory level to render credibility and reliability to the Company's financial statements for the year ended December 31, 2012.

**For and on behalf of the Board of Directors of  
Precious Shipping Public Company Limited**



**Khalid Moinuddin Hashim**  
Managing Director



**Khushroo Kali Wadia**  
Executive Director

4<sup>th</sup> February 2013

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Precious Shipping Public Company Limited

I have audited the accompanying consolidated financial statements of Precious Shipping Public Company Limited and its subsidiaries and jointly controlled entity, which comprise the consolidated statement of financial position as at 31 December 2012, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have also audited the separate financial statements of Precious Shipping Public Company Limited for the same period.

## **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Shipping Public Company Limited and its subsidiaries and jointly controlled entity and of Precious Shipping Public Company Limited as at 31 December 2012, and their financial performance and cash flows for the year then ended, in accordance with Thai Financial Reporting Standards.



Sumalee Reewarabandith

Certified Public Accountant (Thailand) No. 3970

Ernst & Young Office Limited

Bangkok: 4 February 2013

# STATEMENT OF FINANCIAL POSITION

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	1,901,014,613	4,374,710,831	646,276,355	2,719,518,786
Current investment	7	-	-	-	-
Trade and other receivables	8	216,783,794	125,093,908	1,088,380,489	771,932,752
Short-term loans to a subsidiary	10	-	-	2,352,506,880	2,275,428,160
Current portion of advances for vessel constructions	19	482,995,696	1,327,296,167	391,959,194	1,327,296,167
Bunker oil		146,751,814	68,962,534	-	-
<b>Other current assets</b>					
Advances to vessel masters		103,108,288	63,297,992	-	-
Claim recoverables		23,720,413	18,717,858	-	-
Others		67,070,964	43,465,857	44,847,951	13,874,730
Total other current assets		193,899,665	125,481,707	44,847,951	13,874,730
<b>Total current assets</b>		<b>2,941,445,582</b>	<b>6,021,545,147</b>	<b>4,523,970,869</b>	<b>7,108,050,595</b>
<b>Non-current assets</b>					
Investments in subsidiaries	12	-	-	7,002,037,745	6,003,737,796
Investment in joint venture	13	-	-	31	32
Investment in associate held by a subsidiary	14	104,694,188	111,681,183	-	-
Other long-term investment	15	7,970,699	8,246,419	7,970,699	8,246,419
Long-term loans to jointly controlled entity	11	-	-	410,034,598	270,959,760
Receivables from cross currency swap contracts		84,131,993	48,752,293	-	-
Property, plant and equipment	16	16,212,572,345	9,445,533,320	7,859,418	6,734,944
Intangible assets	17	12,855,864	22,782,018	12,813,206	22,725,080
<b>Other non-current assets</b>					
Claim recoverables - maritime claims		45,634,958	41,564,593	-	-
Advances for vessel purchase	18	-	396,140,000	-	-
Advances for vessel constructions - net of					
current portion	19	4,459,352,096	6,571,893,082	3,858,843,592	4,487,724,751
Deferred financial fees	20	125,212,100	211,831,896	100,560,614	168,154,793
Others	34.4	35,822,140	13,278,643	2,396,105	2,405,874
Total other non-current assets		4,666,021,294	7,234,708,214	3,961,800,311	4,658,285,418
<b>Total non-current assets</b>		<b>21,088,246,383</b>	<b>16,871,703,447</b>	<b>11,402,516,008</b>	<b>10,970,689,449</b>
<b>Total assets</b>		<b>24,029,691,965</b>	<b>22,893,248,594</b>	<b>15,926,486,877</b>	<b>18,078,740,044</b>

The accompanying notes are an integral part of the financial statements.



# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
As at 31 December 2012

(Unit: Baht)

Note	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Trade and other payables				
Trade accounts payable	1,721,660	33,149,672	6,057	523,558
Advances received from related parties	9	-	2,626,664,945	3,430,580,742
Accrued crew accounts	74,209,876	47,659,255	-	-
Accrued expenses	133,738,153	59,641,166	3,775,329	5,421,211
Current portion of accrued employee bonus	21	44,223,367	66,761,343	61,556,221
Total trade and other payables	253,893,056	207,211,436	2,671,336,365	3,498,081,732
Advances received from charterers	34,324,164	86,237,567	-	-
Current portion of long-term loans	22	801,969,153	718,548,807	481,889,760
Income tax payable	4,431,719	505,569	-	-
Other current liabilities				
Withholding tax payable	11,047,729	14,205,822	9,722,301	12,778,024
Others	13,775,810	20,525,852	5,120,090	9,706,563
Total other current liabilities	24,823,539	34,731,674	14,842,391	22,484,587
<b>Total current liabilities</b>	<b>1,119,441,631</b>	<b>1,047,235,053</b>	<b>3,168,068,516</b>	<b>3,807,517,182</b>
<b>Non-current liabilities</b>				
Accrued employee bonus - net of current portion	21	22,985,687	54,027,882	21,226,715
Long-term loans - net of current portion	22	8,265,021,817	6,307,825,838	712,680,665
Provision for maritime claims	23	67,698,899	64,637,371	-
Provision for long-term employee benefits	24	70,312,484	63,023,284	64,297,907
<b>Total non-current liabilities</b>	<b>8,426,018,887</b>	<b>6,489,514,375</b>	<b>798,205,287</b>	<b>1,963,489,023</b>
<b>Total liabilities</b>	<b>9,545,460,518</b>	<b>7,536,749,428</b>	<b>3,966,273,803</b>	<b>5,771,006,205</b>

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
As at 31 December 2012

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2012	2011	2012	2011
<b>Shareholders' equity</b>					
Share capital					
Registered share capital					
1,039,520,600 ordinary shares					
of Baht 1 each		1,039,520,600	1,039,520,600	1,039,520,600	1,039,520,600
Issued and paid-up share capital					
1,039,520,600 ordinary shares					
of Baht 1 each		1,039,520,600	1,039,520,600	1,039,520,600	1,039,520,600
Paid-in capital					
Premium on ordinary shares		411,429,745	411,429,745	411,429,745	411,429,745
Premium on treasury stock		172,445,812	172,445,812	172,445,812	172,445,812
Retained earnings					
Appropriated					
Statutory reserve - the Company	25	103,952,060	103,952,060	103,952,060	103,952,060
- subsidiaries	25	518,120,000	518,120,000	-	-
Corporate social responsibility reserve	26	14,951,051	15,332,951	14,951,051	15,332,951
Unappropriated		14,193,833,311	14,521,658,969	10,694,209,831	10,624,883,723
Other components of shareholders' equity		(1,971,248,753)	(1,459,090,358)	(476,296,025)	(59,831,052)
Equity attributable to owners of the Company		14,483,003,826	15,323,369,779	11,960,213,074	12,307,733,839
Non-controlling interests of the subsidiaries		1,227,621	33,129,387	-	-
<b>Total shareholders' equity</b>		<b>14,484,231,447</b>	<b>15,356,499,166</b>	<b>11,960,213,074</b>	<b>12,307,733,839</b>
<b>Total liabilities and shareholders' equity</b>		<b>24,029,691,965</b>	<b>22,893,248,594</b>	<b>15,926,486,877</b>	<b>18,078,740,044</b>

The accompanying notes are an integral part of the financial statements.

# INCOME STATEMENT

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

(Unit: Baht)

		Consolidated financial statements		Separate financial statements	
	Note	2012	2011	2012	2011
<b>Revenues</b>					
Vessel operating income					
Hire income		2,180,520,512	2,102,650,117	-	-
Freight income		1,307,016,473	976,265,257	-	-
Total vessel operating income		3,487,536,985	3,078,915,374	-	-
Service income	9	11,183,540	4,845,459	72,261,099	52,232,890
Gains on sales of equipment		272,268	1,831,319	272,268	1,412,510
Gains on novation of shipbuilding contracts	19	305,454,329	319,167,621	305,454,329	319,167,621
Interest income	9	20,253,936	26,071,027	22,805,124	24,156,135
Exchange gains		-	-	-	684,684
Other income		3,320,742	2,170,014	2,743,619	14,370
Dividend received	9, 12, 15	-	506,521	539,249,380	982,335,321
<b>Total revenues</b>		<b>3,828,021,800</b>	<b>3,433,507,335</b>	<b>942,785,819</b>	<b>1,380,003,531</b>
<b>Expenses</b>					
Vessel operating costs					
Vessel running expenses		1,256,798,284	874,904,589	-	-
Voyage disbursements		217,973,095	131,305,127	-	-
Bunker consumption		570,871,316	327,083,608	-	-
Total vessel operating costs		2,045,642,695	1,333,293,324	-	-
Depreciation	16	910,298,065	646,563,290	4,021,488	4,833,128
Cost of services		4,320,114	5,586,962	-	-
Administrative expenses	9	177,666,787	185,530,467	152,365,284	155,949,276
Management remuneration including perquisites	9	88,393,647	99,390,770	84,094,511	93,976,987
Bad debts and doubtful accounts		12,130,779	124,468	-	-
Exchange losses		5,651,267	5,447,550	7,488,910	-
<b>Total expenses</b>		<b>3,244,103,354</b>	<b>2,275,936,831</b>	<b>247,970,193</b>	<b>254,759,391</b>
<b>Profit before share of profit (loss) from investment in associate, finance cost and income tax expenses</b>					
		583,918,446	1,157,570,504	694,815,626	1,125,244,140
Share of profit (loss) from investment in associate held by a subsidiary					
	14.1	(2,425,454)	7,637,073	-	-
<b>Profit before finance cost and income tax expenses</b>					
		581,492,992	1,165,207,577	694,815,626	1,125,244,140
Finance cost		(433,659,430)	(440,757,218)	(156,424,627)	(313,548,816)
<b>Profit before income tax expenses</b>		<b>147,833,562</b>	<b>724,450,359</b>	<b>538,390,999</b>	<b>811,695,324</b>
Income tax expenses	28	(4,152,840)	(3,638,021)	-	-
<b>Profit for the year</b>		<b>143,680,722</b>	<b>720,812,338</b>	<b>538,390,999</b>	<b>811,695,324</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		141,026,469	718,524,855	538,390,999	811,695,324
Non-controlling interests of the subsidiaries		2,654,253	2,287,483	-	-
<b>Profit for the year</b>		<b>143,680,722</b>	<b>720,812,338</b>	<b>538,390,999</b>	<b>811,695,324</b>
<b>Basic earnings per share</b>					
Profit attributable to equity holders of the Company	30	0.14	0.69	0.52	0.78

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Profit for the year</b>	<b>143,680,722</b>	<b>720,812,338</b>	<b>538,390,999</b>	<b>811,695,324</b>
<b>Other comprehensive income:</b>				
Exchange differences on translation of foreign operation's financial statements	202,163	(23,873,553)	-	-
Exchange differences on translation of functional currency to presentation currency financial statements	(512,733,770)	749,415,877	(416,464,973)	602,582,679
Actuarial loss recognised during the year	(1,532,113)	-	(1,744,877)	-
<b>Other comprehensive income for the year</b>	<b>(514,063,720)</b>	<b>725,542,324</b>	<b>(418,209,850)</b>	<b>602,582,679</b>
<b>Total comprehensive income for the year</b>	<b>(370,382,998)</b>	<b>1,446,354,662</b>	<b>120,181,149</b>	<b>1,414,278,003</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company	(372,664,039)	1,442,508,190	120,181,149	1,414,278,003
Non-controlling interests of the subsidiaries	2,281,041	3,846,472	-	-
	<b>(370,382,998)</b>	<b>1,446,354,662</b>	<b>120,181,149</b>	<b>1,414,278,003</b>

The accompanying notes are an integral part of the financial statements.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

(Unit: Baht)

Consolidated financial statements											
Equity attributable to the parent's shareholders											
	Issued and paid-up share capital	Premium on ordinary shares	Premium on treasury stock	Retained earnings			Other components of shareholders' equity - other comprehensive income				
				Appropriated		Corporate social responsibility reserve	Exchange differences on translation of financial statements	Total equity attributable to shareholders of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total shareholders' equity	
				The Company	Subsidiaries						
Balance as at 1 January 2011	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	14,335,865	(2,183,073,693)	14,525,275,426	29,282,915	14,554,558,341	
Dividend paid to the Company's shareholders (Note 33)	-	-	-	-	-	-	-	(644,413,837)	-	(644,413,837)	
Total comprehensive income for the year	-	-	-	-	-	-	723,983,335	1,442,508,190	3,846,472	1,446,354,662	
Appropriated to corporated social responsibility reserve (Note 26)	-	-	-	-	-	997,086	(997,086)	-	-	-	
Balance as at 31 December 2011	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	15,332,951	(1,459,090,358)	15,323,369,779	33,129,387	15,356,499,166	
Balance as at 1 January 2012	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	15,332,951	(1,459,090,358)	15,323,369,779	33,129,387	15,356,499,166	
Dividend paid to the Company's shareholders (Note 33)	-	-	-	-	-	-	-	(467,701,914)	(34,182,807)	(501,884,721)	
Total comprehensive income for the year	-	-	-	-	-	-	(512,158,395)	(372,664,039)	2,281,041	(370,382,998)	
Appropriated to corporated social responsibility reserve (Note 26)	-	-	-	-	-	(381,900)	-	-	-	-	
Balance as at 31 December 2012	1,039,520,600	411,429,745	172,445,812	103,952,060	518,120,000	14,951,051	(1,971,248,753)	14,483,003,826	1,227,621	14,484,231,447	

The accompanying notes are an integral part of the financial statements.

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

The accompanying notes are an integral part of the financial statements.



# CASH FLOW STATEMENT

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from operating activities</b>				
Profit before tax	147,833,562	724,450,359	538,390,999	811,695,324
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	919,582,272	655,730,565	13,293,157	13,993,535
Bad debt and doubtful accounts	12,130,779	124,468	-	-
Write-off and donation of equipment	4	5	4	5
Gains on sales of equipment	(272,272)	(1,831,319)	(272,272)	(1,412,510)
Gains on novation of shipbuilding contracts	(305,454,329)	(319,167,621)	(305,454,329)	(319,167,621)
Write-off deferred financial fees due to cancellation of loan facility	43,123,964	89,513,976	43,123,964	89,513,976
Share of (profit) loss from investment in associate held by a subsidiary	2,425,454	(7,637,073)	-	-
Provision for maritime claims (reversal)	(165,099)	2,507,343	-	-
Provision for long-term employee benefits	5,808,674	5,930,849	5,601,576	5,737,637
Unrealised exchange losses (gains)	5,384,742	620,599	5,458,056	(2,677,699)
Amortised financial fees to interest expense	30,266,802	8,466,799	-	-
Interest expense	234,315,334	111,417,070	-	-
Interest income	(18,831,685)	(23,780,098)	(21,765,461)	(23,183,401)
Profit from operating activities before changes in operating assets and liabilities	1,076,148,202	1,246,345,922	278,375,694	574,499,246
Operating assets (increase) decrease				
Trade and other receivables	(107,919,596)	(85,696,364)	495,561,872	220,693,238
Bunker oil	(79,415,667)	(61,473,623)	-	-
Other current assets	(67,099,164)	(32,829,749)	(28,060,046)	5,809,686
Other non-current assets	(23,196,172)	(10,096,275)	9,287	-
Operating liabilities increase (decrease)				
Trade and other payables	41,347,725	21,187,748	(711,566,610)	760,533,514
Advances received from charterers	(49,596,679)	36,434,741	-	-
Other current liabilities	(3,779,814)	(27,279,154)	(8,047,866)	(57,888,004)
Other non-current liabilities	(30,625,179)	(24,973,142)	(28,223,746)	(22,712,672)
Cash flows from (used in) operating activities	755,863,656	1,061,620,104	(1,951,415)	1,480,935,008
Cash paid for corporate income tax and withholding tax deducted at source	(4,687,473)	(11,022,168)	(3,298,233)	(3,115,275)
<b>Net cash flows from (used in) operating activities</b>	<b>751,176,183</b>	<b>1,050,597,936</b>	<b>(5,249,648)</b>	<b>1,477,819,733</b>

The accompanying notes are an integral part of the financial statements.

# CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Cash flows from investing activities</b>				
Acquisitions of vessels and equipment and payment of dry-dock and special survey expenses	(5,146,620,136)	(2,717,584,755)	(5,417,726)	(391,116)
Acquisitions of computer software	-	(351,100)	-	(289,821)
Cash paid for advances for vessel constructions and other direct costs	(1,138,145,101)	(1,363,186,373)	(776,758,946)	(808,354,084)
Cash paid for advances for vessel purchase	-	(389,908,750)	-	-
Cash received from novation of shipbuilding contracts	1,728,630,001	2,167,572,480	1,728,630,001	2,167,572,480
Proceeds from sales of equipment	272,272	1,923,077	272,272	1,501,388
Dividend received from associate held by a subsidiary	-	3,375,001	-	-
Increase in investment in a subsidiary	-	-	(1,216,000,000)	-
Increase in short-term loans to subsidiary	-	-	(165,142,500)	(249,541,600)
Increase in long-term loans to jointly controlled entity	-	-	(148,340,915)	-
Interest income	18,831,685	23,780,098	21,765,461	23,183,400
<b>Net cash flows from (used in) investing activities</b>	<b>(4,537,031,279)</b>	<b>(2,274,380,322)</b>	<b>(560,992,353)</b>	<b>1,133,680,647</b>
<b>Cash flows from financing activities</b>				
Cash paid for interest expense and commitment fee	(301,761,633)	(162,738,434)	(27,806,026)	(47,804,213)
Cash paid for deferred financial fees	(50,795,817)	(40,085,098)	(35,318,340)	-
Cash received from long-term loans	5,032,143,604	4,453,525,405	368,091,538	842,227,200
Repayment of long-term loans	(1,174,322,501)	(892,651,149)	(552,808,738)	(655,171,200)
Prepayment of long-term loans	(864,637,257)	-	-	-
Prepayment of long-term loans due to cancellation of loan facility	(708,563,107)	(1,563,072,746)	(708,563,107)	(1,563,072,746)
Dividends paid to the Company's shareholders	(467,701,914)	(644,413,837)	(467,701,914)	(644,413,837)
Dividend paid to non-controlling interests of the subsidiary	(34,182,807)	-	-	-
<b>Net cash flows from (used in) financing activities</b>	<b>1,430,178,568</b>	<b>1,150,564,141</b>	<b>(1,424,106,587)</b>	<b>(2,068,234,796)</b>
Increase (decrease) in translation adjustments	(118,019,690)	224,505,960	(82,893,843)	134,904,263
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,473,696,218)</b>	<b>151,287,715</b>	<b>(2,073,242,431)</b>	<b>678,169,847</b>
Cash and cash equivalents at beginning of year	4,374,710,831	4,223,423,116	2,719,518,786	2,041,348,939
<b>Cash and cash equivalents at end of year</b>	<b>1,901,014,613</b>	<b>4,374,710,831</b>	<b>646,276,355</b>	<b>2,719,518,786</b>

The accompanying notes are an integral part of the financial statements.

# CASH FLOW STATEMENT (CONTINUED)

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Supplemental cash flows information</b>				
<b>Non-cash transactions</b>				
Dividend income from subsidiaries offset against receivable from/payable to subsidiaries	-	-	539,249,380	981,828,800
Transfer of interest expense and commitment fee to advances for vessel constructions	69,315,978	47,744,245	25,170,550	44,170,852
Amortisation of financial fees to advances for vessel constructions	1,303,269	1,802,291	963,857	1,565,209
Transfer of deferred financial fees to present as a deduction from long-term loans	91,484,567	89,849,508	3,660,237	6,063,432
Transfer of deferred financial fees to subsidiary in proportion to the drawdown amount	-	-	58,995,055	86,586,466
Transfer of advances for vessel constructions to vessel and equipment of subsidiaries	2,617,409,495	588,433,904	778,557,360	588,433,904
Adjustment of deferred financial fee and advances for vessel constructions	-	(979,265)	-	(979,265)
Adjustment of provision for long-term employee benefits with the beginning balance of retained earnings	-	(57,407,906)	-	(51,551,192)

The accompanying notes are an integral part of the financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
For the year ended 31 December 2012

## 1. General information

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

## 2. Basis of preparation

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

These financial statements are presented in Thai Baht which is different from the functional currency of the Company, which is US Dollar. The presentation is in Thai Baht in accordance with the regulatory requirements in Thailand.

The USD functional currency financial statements are translated into the Thai Baht presentation currency financial statements at the rate of exchange prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses, differences being recorded as "Exchange differences on translation of financial statements" in other comprehensive income, other components of shareholders' equity.

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

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

### 2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Precious Shipping Public Company Limited ("the Company") and the following subsidiaries ("the subsidiaries"), associate and joint venture ("the Group").

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned	
			by the Company	
			2012	2011
			%	%
<u>Subsidiaries held by the Company</u>				
1. Precious Metals Limited	Shipowner	Thailand	99.99	99.99
2. Precious Wishes Limited	Shipowner	Thailand	99.99	99.99
3. Precious Stones Shipping Limited	Shipowner	Thailand	99.99	99.99
4. Precious Minerals Limited	Shipowner	Thailand	99.99	99.99
5. Precious Lands Limited	Shipowner	Thailand	99.99	99.99
6. Precious Rivers Limited	Shipowner	Thailand	99.99	99.99
7. Precious Lakes Limited	Shipowner	Thailand	99.99	99.99
8. Precious Seas Limited	Shipowner	Thailand	99.99	99.99
9. Precious Stars Limited	Shipowner	Thailand	99.99	99.99
10. Precious Oceans Limited	Shipowner	Thailand	99.99	99.99
11. Precious Planets Limited	Shipowner	Thailand	99.99	99.99
12. Precious Diamonds Limited	Shipowner	Thailand	99.99	99.99
13. Precious Sapphires Limited	Shipowner	Thailand	99.99	99.99
14. Precious Emeralds Limited	Shipowner	Thailand	99.99	99.99
15. Precious Rubies Limited	Shipowner	Thailand	99.99	99.99
16. Precious Opals Limited	Shipowner	Thailand	99.99	99.99
17. Precious Garnets Limited	Shipowner	Thailand	99.99	99.99
18. Precious Pearls Limited	Shipowner	Thailand	99.99	99.99
19. Precious Flowers Limited	Shipowner	Thailand	99.99	99.99
20. Precious Forests Limited	Shipowner	Thailand	99.99	99.99
21. Precious Trees Limited	Shipowner	Thailand	99.99	99.99
22. Precious Ponds Limited	Shipowner	Thailand	99.99	99.99
23. Precious Ventures Limited	Shipowner	Thailand	99.99	99.99
24. Precious Capitals Limited	Shipowner	Thailand	99.99	99.99
25. Precious Jasmines Limited	Shipowner	Thailand	99.99	99.99
26. Precious Orchids Limited	Shipowner	Thailand	99.99	99.99
27. Precious Lagoons Limited	Shipowner	Thailand	99.99	99.99
28. Precious Cliffs Limited	Shipowner	Thailand	99.99	99.99
29. Precious Hills Limited	Shipowner	Thailand	99.99	99.99
30. Precious Mountains Limited	Shipowner	Thailand	99.99	99.99
31. Precious Resorts Limited	Shipowner	Thailand	99.99	99.99
32. Precious Cities Limited	Shipowner	Thailand	99.99	99.99
33. Precious Comets Limited	Shipowner	Thailand	99.99	99.99
34. Precious Ornaments Limited	Shipowner	Thailand	99.99	99.99
35. Nedtex Limited	Bulk storage barges*	Thailand	69.99	69.99
36. Precious Storage Terminals Limited	Bulk storage barges*	Thailand	69.99	69.99
37. Thebes Pte. Limited	Maritime Business*	Singapore	100.00	100.00
38. Precious Shipping (Panama) S.A.	Shipowner/ Chartering	Panama	99.99	99.99
39. Precious Shipping (Mauritius) Limited	Holding company*	Mauritius	100.00	100.00
40. Precious Shipping (Singapore) Pte. Limited	Holding company/ Chartering	Singapore	100.00	100.00
41. Precious Shipping (UK) Limited	Chartering	England	99.99	99.99
42. Great Circle Shipping Agency Limited	Technical manager of ships	Thailand	99.99	99.99

Company's name	Nature of business	Country of incorporation	Percentage directly and indirectly owned by the Company	
			2012	2011
			%	%
43. Precious Projects Pte. Limited	Investment holding company*	Singapore	100.00	100.00
<u>Subsidiaries held by subsidiaries</u>				
44. Rapid Port Leasing Company Pte. Limited	Marine construction**	Singapore	-	100.00
45. PSL Investments Limited	Holding company*	Mauritius	100.00	100.00
46. International Lighterage Limited	Holding company	Mauritius	100.00	100.00
47. PSL Thun Shipping Pte. Limited	Chartering	Singapore	64.06	64.06
48. Regidor Pte. Limited	Maritime business *	Singapore	100.00	100.00
49. Precious Forests Pte. Limited	Shipowner	Singapore	100.00	100.00
50. Precious Fragrance Pte. Limited	Shipowner	Singapore	100.00	100.00
51. Precious Thoughts Pte. Limited	Shipowner	Singapore	100.00	100.00
52. Precious Comforts Pte. Limited	Shipowner	Singapore	100.00	100.00
53. Precious Sparks Pte. Limited	Shipowner	Singapore	100.00	100.00
54. Precious Visions Pte. Limited	Shipowner	Singapore	100.00	100.00
55. Precious Bridges Pte. Limited	Shipowner	Singapore	100.00	100.00
<u>Joint venture</u>				
56. Associated Bulk Carriers Pte. Limited	Holding company	Singapore	50.00	50.00
<u>Subsidiaries of joint venture (SPC Subsidiaries)</u>				
57. ABC One Pte. Limited	Shipowner	Singapore	50.00	50.00
58. ABC Two Pte. Limited	Shipowner	Singapore	50.00	50.00
59. ABC Three Pte. Limited	Shipowner	Singapore	50.00	50.00
<u>Associate held by a subsidiary</u>				
60. International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40

\*Business suspended

\*\*The relevant authority in Singapore approved the dissolution of this company on 12 January 2012.

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

Joint venture is accounted for in the consolidated financial statements using the proportionate shares of the assets, liabilities, revenues and expenses with the Company's shareholding in the joint venture (proportionate consolidation method).

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



- c) The financial statements of the subsidiaries and joint venture are prepared for the same reporting period as the Company and using the same significant accounting policies as the Company.

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

- d) The financial statements of all subsidiaries, associate and joint venture are prepared in their respective functional currencies. Where the functional currency is not USD, the financial statements are translated into USD using the exchange rate prevailing on the end of reporting period in respect of assets and liabilities, and at a rate that approximates the actual rate at the date of the transaction in respect of revenues and expenses. The resultant differences have been shown under the caption of "Exchange differences on translation of financial statements" in other comprehensive income, other components of shareholders' equity.
- e) Material balances and transactions between the Company and subsidiaries, and investments in subsidiaries by the Company and shareholders' equity of the subsidiaries have been eliminated from the consolidated financial statements.  
  
Material balances and transactions between the Company and joint venture, and investment in joint venture by the Company and shareholders' equity of the joint venture have been eliminated from the consolidated financial statements in proportion with the Company's shareholding in the joint venture.
- f) Non-controlling interests represent the portion of profit or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position.

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

### 3. New accounting standards not yet effective

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

#### Accounting standards

TAS 12 Income Taxes

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

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

TFRS 8 Operating Segments

#### Accounting Standard Interpretations

SIC 10 Government Assistance - No Specific Relation to Operating Activities

SIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

SIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company adopted TAS 12 and TAS 21 (revised 2009) and SIC 21 and SIC 25 in 2011. For TAS 20 (revised 2009), TFRS 8 and SIC 10, the Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555 - 34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

		<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets		1 January 2013
Accounting Standard Interpretation:		
SIC 29	Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4.5 Investments

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

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

#### 4.6 Property, plant and equipment

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

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

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

Depreciation is included in determining income.

No depreciation is provided on land and asset under construction.

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

#### **4.7 Borrowing costs**

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

#### **4.8 Intangible assets and amortisation**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses (if any).

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

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

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

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

#### **4.10 Related party transactions**

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

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

#### **4.11 Long-term leases**

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

#### **4.12 Foreign currencies**

The Group's financial statements are presented in Thai Baht, which is different from the Group's functional currency of USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### **a) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency. Foreign currency transactions during a particular month are translated into functional currency at the average exchange rates ruling during the previous transaction month.

Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the exchange rate ruling at the end of reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

##### **b) Group companies**

The assets and liabilities of Group companies whose functional currency is not USD are translated into USD at the exchange rate ruling at the end of reporting period and their income statement and statements of comprehensive income are translated at a rate that approximates the actual rate at the date of the transaction.

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.



#### **4.13 Impairment of assets**

At the end of each reporting period, the Group performs impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount.

An impairment loss is recognised in the income statement.

#### **4.14 Employee benefits**

##### **a) Short-term employee benefits**

Short-term employee benefit obligations, which include salaries, wages, bonuses, and contributions to the social security fund, are measured on an undiscounted basis and are expensed when they are incurred.

##### **b) Post-employment benefits**

The Group provides post-employment benefits through a defined contribution plan (under the Provident Fund Act B.E. 2530 (1987)) and a defined benefit plan (obligations for retired employees under the Thai Labor Protection Act B.E. 2541 (1998)).

##### **- Defined contribution plan**

A defined contribution plan comprises a provident fund which is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

##### **- Defined benefit plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Such benefits are discounted to determine its present value using the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same

currency in which the benefits are expected to be paid. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

The Group recognised all actuarial gains or losses arising from defined benefit plans in other comprehensive income in the period in which they arise.

c) Other long-term employee benefits

The Group's obligation in respect of accrued bonuses is classified as long-term employee benefits other than retirement benefit plans, and is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in the income statement.

d) Termination benefits

The Group recognised termination benefits when it is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

#### 4.15 Provisions

Provisions are recognised when the Group has 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.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

*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 best estimate of the expenditure required to settle the subsidiaries present obligation.

#### **4.16 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Income tax of the Company and subsidiaries in Thailand is provided for in the accounts based on the taxable income determined in accordance with tax legislation in Thailand. Overseas subsidiaries, associate and jointly control entity calculate corporate income tax in accordance with the method and tax rates stipulated by tax laws in those countries.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognised deferred tax liabilities for all taxable temporary differences while it recognised deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.17 Premium on treasury stock**

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

#### **4.18 Derivatives**

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

Receivables and payables arising from cross currency swap contracts are translated into USD at the exchange rates ruling at the end of reporting period. Unrecognised gains and losses from the translation are recognised in the income statement.

##### **Interest rate swap contracts**

The net amount of interest to be received from or paid to the counterparty under an interest rate swap contract is recognised as income or expenses on an accrual basis.

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

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

##### **Leases**

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

##### **Allowance for doubtful accounts**

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

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

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

### Property, plant and equipment/Depreciation

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

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

### Intangible assets

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

### Deferred tax assets

Deferred tax assets are recognised in respect of temporary differences only to the extent that it is probable that taxable profit will be available against which these differences can be recognised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

### Post-employment benefits under defined benefit plans and other long-term employee benefits

The obligation under the defined benefit plan and other long-term employee benefit plans is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

## 6. Cash and cash equivalents

	(Unit: Thousand Baht)			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash	757	674	745	663
Bank deposits	1,900,258	4,374,037	645,531	2,718,856
Total	1,901,015	4,374,711	646,276	2,719,519

As at 31 December 2012, bank deposits carried interest between 0.10% - 0.40% per annum for USD savings accounts, 0.75% per annum for Baht savings accounts and 0.64% - 1.25% per annum for USD fixed deposits (2011: between 0.10% - 0.50% per annum for USD savings accounts, 0.75% per annum for Baht savings accounts, 0.20% - 1.50% per annum for USD fixed deposits and 1.37% - 2.25% per annum for EUR fixed deposits).

## 7. Current investment

(Unit: Thousand Baht)

Consolidated financial statements								
Paid-up capital		Shareholding percentage		Cost		Carrying amount based on equity method		
2012	2011	2012	2011	2012	2011	2012	2011	
Thousand	Thousand	%	%					
INR	INR							
Investment in associate held by a subsidiary								
Southern LPG Limited	64,592	64,592	50.00	50.00	26,733	27,658	16,821	17,403
Less: Allowance for loss on investment							(16,821)	(17,403)
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.

## 8. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Trade receivables - unrelated parties</b>				
Aged on the basis of invoice date				
Past due				
Up to 3 months	209,034	104,741	-	-
3 - 6 months	1,034	117	-	-
6 - 12 months	6,716	20,236	-	-
Over 12 months	25,119	20,109	-	-
Total	241,903	145,203	-	-
Less: Allowance for doubtful debts	(25,119)	(20,109)	-	-
Total trade receivables - unrelated parties, net	216,784	125,094	-	-



	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<u>Other receivables - related parties</u>				
Advances to related parties	-	-	1,088,380	771,933
Total other receivables - related parties, net	-	-	1,088,380	771,933
Trade and other receivables - net	216,784	125,094	1,088,380	771,933

## 9. Related party transactions

In addition to relationship between the Company and its subsidiaries as stated in Note 12, its jointly controlled entity as stated in Note 13, and its associate as stated in Note 14, the other related party transactions and relationship are summarised below.

Related party's name	Transaction	Relationship
Globex Corporation Limited	None	Major shareholder holding 25.65% ordinary shares in the Company and related by way of the Company's directors as shareholders and directors in the related party
Unistretch Limited	Office rental and service expenses	Related by way of common shareholders and directors
Ambika Tour Agency Limited	Air ticket expenses	Related by way of common shareholders and directors
Geepee Air Service Limited	Air ticket expenses	Related by way of common shareholders and directors
Maestro Controls Limited	Air-conditioning service expenses	Related by way of common shareholders and directors
Maxwin Builders Limited	Office and apartment management expenses	Related by way of common shareholders and directors
InsurExcellence Insurance Brokers Limited	Insurance expense	Related by way of Company Directors' close family member as the related party's shareholder
InsurExcellence Life Insurance Brokers Limited	Insurance expense	Related by way of Company Directors' close family member as the related party's shareholder
Quidlab Company Limited	Computer hardware or software purchases	Related by way of Company Senior Manager's close family member as the related party's shareholder and director

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

(Unit: Thousand Baht)					
	Consolidated		Separate		Transfer pricing policy
	financial statements		financial statements		
	2012	2011	2012	2011	
<b>Transactions with subsidiaries</b>					
(Eliminated from consolidated financial statements)					
Service income - management fees	-	-	64,813	46,094	Fixed rate per vessel per day set with reference to the administrative cost of the Company
Dividend received	-	-	539,249	981,829	As declared
Interest income	-	-	9,415	10,914	At interest rate of 0.40% per annum (2011: 0.40% and 0.70% per annum)
Condominium rental expenses	-	-	9,161	9,404	Market price
<b>Transaction with jointly controlled entity</b>					
(Eliminated from consolidated financial statements in proportion with the Company's shareholding)					
Vessel construction supervision income	3,724	3,069	7,448	6,139	In accordance with contract based on market practice
<b>Transaction with associate</b>					
Dividend received	-	3,375	-	-	As declared
<b>Transactions with related companies</b>					
Air ticket expenses	9,856	7,731	3,764	3,488	Market price
Rental and service expenses	6,775	5,793	5,733	4,507	Market price
Computer purchases	1,290	1,764	589	626	Market price

The balances of the accounts as at 31 December 2012 and 2011 between the Company and those related parties are as follows.

(Unit: Thousand Baht)				
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Other receivables - related parties (Note 8)</b>				
Subsidiaries	-	-	921,754	731,132
Jointly controlled entity	-	-	166,626	40,801
Total other receivables - related parties	-	-	1,088,380	771,933

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Trade and other payables - related parties</b>				
Subsidiaries	-	-	2,626,665	3,430,581
Related companies	-	91	-	32
<b>Total trade and other payables - related parties</b>	<b>-</b>	<b>91</b>	<b>2,626,665</b>	<b>3,430,613</b>

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

#### Directors and management's benefits

During the years ended 31 December 2012 and 2011, the Group had employee benefit expenses of their directors and management as below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Short-term employee benefits	75,977	72,631	72,804	69,878
Post-employment benefits	1,981	2,363	1,981	2,363
Other long-term benefits	10,436	24,397	9,310	21,736
<b>Total</b>	<b>88,394</b>	<b>99,391</b>	<b>84,095</b>	<b>93,977</b>

#### Guarantee obligations with related parties

The Company has outstanding guarantee obligations with its subsidiaries and jointly controlled entity in relation to the loans from banks. There was no guarantee fee charged.

### **10. Short-term loans to subsidiary**

As at 31 December 2012, short-term loans to wholly owned subsidiary are in the form of promissory notes in US Dollar, amounting to USD 76.80 million (2011: USD 71.80 million), which carry interest at the rate of 0.40% per annum (2011: 0.40% and 0.70% per annum), and are due at call. Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

	Separate financial statements			2012
	2011	Increase	Translation adjustment	
<b>Short-term loans to subsidiary</b>				
Precious Shipping (Singapore)				
Pte. Limited	2,275,428	165,142	(88,063)	2,352,507

# 11. Long-term loans to jointly controlled entity

As at 31 December 2012, long-term loans to jointly controlled entity, Associated Bulk Carriers Pte. Limited ("ABC Company") are in the form of promissory note, bearing no interest and is due at call. The Company does not intend to call for the loans repayment in the foreseeable future; therefore, the loans are classified as long-term loans.

The details of long-term loans were as follows.

- (a) USD 8.55 Million (2011: USD 8.55 million), this loan represents Company's contribution (in lieu of equity capital) to ABC Company in proportion with the Company's shareholding (50%) in ABC Company. An equal amount is also received by ABC Company from the other partner shareholder, Varada Marine Pte. Limited ("Varada"). This loan was made to enable the 3 SPC subsidiaries of ABC Company to pay the installments due to ABG Shipyard Ltd., India per Shipbuilding Contracts signed on 22 April 2010.
- (b) USD 4.84 million (2011: Nil), this loan was made available by the Company to enable the 2 SPC subsidiaries of ABC Company to pay the installments due to China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China per Shipbuilding Contracts signed on 5 December 2012. ABC Company did not receive any equivalent loan from Varada.

Movements in the balance of the loans during the year were as follows.

(Unit: Thousand Baht)

	Separate financial statements			2012
	2011	Increase	Translation adjustment	
<b>Long-term loans to jointly controlled entity</b>				
Associated Bulk Carriers Pte. Limited	270,960	148,341	(9,266)	410,035

## 12. Investments in subsidiaries

These represent investments in ordinary shares in the following subsidiaries.

(Unit: Thousand Baht)

Subsidiaries' name	Separate financial statements							
	Paid-up capital		Shareholding percentage		Cost		Dividend received for the years ended	
							31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
			%	%				
Precious Metals Limited	275,000	250,000	99.99	99.99	324,562	310,698	-	-
Precious Wishes Limited	230,000	230,000	99.99	99.99	276,285	285,842	32,200	23,000
Precious Stones Shipping Limited	260,000	260,000	99.99	99.99	258,084	267,012	44,200	18,200
Precious Minerals Limited	230,000	230,000	99.99	99.99	234,683	242,802	34,500	32,200
Precious Lands Limited	306,000	84,000	99.99	99.99	297,010	78,088	-	-
Precious Rivers Limited	234,000	234,000	99.99	99.99	195,213	201,966	35,100	84,240
Precious Lakes Limited	184,000	99,000	99.99	99.99	171,304	89,474	-	-
Precious Seas Limited	100,000	100,000	99.99	99.99	120,124	124,279	50,000	72,000
Precious Stars Limited	105,000	105,000	99.99	99.99	126,130	130,493	31,500	51,450
Precious Oceans Limited	175,000	175,000	99.99	99.99	210,217	217,488	35,000	63,000
Precious Planets Limited	270,000	100,000	99.99	99.99	285,042	124,279	-	-
Precious Diamonds Limited	205,000	205,000	99.99	99.99	178,456	184,630	71,749	116,850
Precious Sapphires Limited	144,000	144,000	99.99	99.99	121,074	125,262	43,200	95,040
Precious Emeralds Limited	366,000	366,000	99.99	99.99	290,318	300,361	18,300	36,600
Precious Rubies Limited	84,000	84,000	99.99	99.99	75,477	78,088	-	-
Precious Opals Limited	74,000	74,000	99.99	99.99	67,702	70,044	-	-
Precious Garnets Limited	379,000	379,000	99.99	99.99	299,445	309,803	37,900	7,580
Precious Pearls Limited	173,000	73,000	99.99	99.99	171,030	75,817	-	-
Precious Flowers Limited	336,000	76,000	99.99	99.99	329,759	78,230	-	-
Precious Forests Limited	96,000	96,000	99.99	99.99	91,587	94,755	-	-
Precious Trees Limited	202,000	80,000	99.99	99.99	200,133	81,886	-	-
Precious Ponds Limited	84,000	84,000	99.99	99.99	78,867	81,595	-	-
Precious Ventures Limited	202,000	80,000	99.99	99.99	217,085	99,423	-	-
Precious Capitals Limited	200,000	200,000	99.99	99.99	240,248	248,558	-	100,000
Precious Jasmines Limited	147,000	147,000	99.99	99.99	163,222	168,869	-	-
Precious Orchids Limited	217,000	217,000	99.99	99.99	184,447	190,827	-	2,170
Precious Lagoons Limited	140,000	140,000	99.99	99.99	168,173	173,990	-	60,200
Precious Cliffs Limited	140,000	140,000	99.99	99.99	168,173	173,990	-	43,400
Precious Hills Limited	140,000	140,000	99.99	99.99	168,173	173,990	33,600	53,200
Precious Mountains Limited	140,000	140,000	99.99	99.99	168,173	173,990	21,000	39,200
Precious Resorts Limited	140,000	140,000	99.99	99.99	168,173	173,990	-	7,000
Precious Cities Limited	170,000	170,000	99.99	99.99	191,234	197,849	51,000	76,499
Precious Comets Limited	71,100	71,100	99.99	99.99	55,319	57,233	-	-
Precious Ornaments Limited	68,100	68,100	99.99	99.99	52,987	54,820	-	-
Nedtex Limited	2,500	2,500	69.99	69.99	779	806	-	-
Precious Storage Terminals Limited	6,000	6,000	69.99	69.99	5,045	5,219	-	-

(Unit: Thousand Baht)

Separate financial statements								
Subsidiaries' name	Paid-up capital		Shareholding percentage		Cost		Dividend received	
							for the years ended	
	2012	2011	2012	2011	2012	2011	31 December	2011
			%	%				
Thebes Pte. Limited	0.0365	0.0365	100.00	100.00	-	-	-	-
Precious Shipping (Panama) S.A.	250	250	99.99	99.99	306	317	-	-
Precious Shipping (Mauritius) Limited	250	250	100.00	100.00	306	317	-	-
Precious Shipping (Singapore) Pte. Limited	363,338	363,338	100.00	100.00	321,342	332,457	-	-
Precious Shipping (UK) Limited	250	250	99.99	99.99	306	317	-	-
Great Circle Shipping Agency Limited	210,000	100,000	99.99	99.99	332,175	230,226	-	-
Precious Projects Pte. Limited	0.0345	0.0345	100.00	100.00	-	-	-	-
Total investments in subsidiaries					7,008,168	6,010,080	539,249	981,829
Less: Allowance for loss on investments in subsidiaries					(6,130)	(6,342)		
Total investments in subsidiaries - net					7,002,038	6,003,738		

The Company offsets the dividend income against amounts receivables from/payables to subsidiaries in the statements of financial position.

The change in cost of investments in subsidiaries other than the changes below in the investments is from the exchange differences on translation of functional currency to presentation currency.

During the year ended 31 December 2012, the Company subscribed and paid for newly issued ordinary shares of subsidiaries as detailed below.

Subsidiaries' name	Date of payment for newly issued ordinary shares	New ordinary shares		
		Par value	No. of shares	Total value
		(Baht)	(Million Shares)	(Million Baht)
Precious Metals Limited	24 February 2012	100.00	0.25	25.00
Precious Planets Limited	24 February 2012	100.00	1.70	170.00
Great Circle Shipping Agency Limited	15 March 2012	100.00	1.10	110.00
Precious Ventures Limited	23 May 2012	100.00	1.22	122.00
Precious Trees Limited	23 May 2012	100.00	1.22	122.00
Precious Pearls Limited	27 June 2012	100.00	1.00	100.00
Precious Flowers Limited	27 June 2012	100.00	2.60	260.00
Precious Lands Limited	19 November 2012	100.00	2.22	222.00
Precious Lakes Limited	19 November 2012	100.00	0.85	85.00



### 13. Investment in joint venture

#### 13.1 Details of investment in joint venture

Investment in joint venture represents investment under joint venture agreement in Associated Bulk Carriers Pte. Limited ("ABC Company") which is jointly controlled by the Company and Varada Marine Pte. Limited for the purpose of owning and operating cement carriers. Details of the investment are as follows.

(Unit: Baht)

Jointly controlled entity's name	Nature of business	Separate financial statements					
		Shareholding percentage		Cost		Carrying amounts based on cost method	
		2012	2011	2012	2011	2012	2011
		(%)	(%)				
Associated Bulk Carriers Pte. Limited	Holding company	50	50	31	32	31	32

The change in cost of investment in joint venture is from the exchange differences on translation of functional currency to presentation currency.

#### 13.2 Summarised financial information of jointly controlled entity

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

(Unit: Thousand Baht)

	2012	2011
Cash and cash equivalents	1,826	12,174
Other current assets	982	1,016
Advances for vessel constructions	617,478	455,719
Deferred financial fees	13,245	3,289
Other non-current assets	32,806	10,304
Total assets	666,337	482,502
Trade and other payables	1,563	1,860
Current portion of long-term loan	5,742	8,893
Long term loan - net of current portion	166,508	168,969
Total liabilities	173,813	179,722
Net assets	492,524	302,780

(Unit: Thousand Baht)

For the years ended  
31 December

	2012	2011
Revenues	6	4
Administrative expenses	(582)	(603)
Exchange loss	(3)	(3)
Finance cost	2,863	(3,647)
Profit (loss) for the year	2,284	(4,249)

#### 14. Investment in associate held by a subsidiary

##### 14.1 Details of associate held by a subsidiary

(Unit: Thousand Baht)

Consolidated financial statements								
Associate's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Carrying amounts based on equity method	
			2012	2011	2012	2011	2012	2011
			%	%				
International Seaports (Haldia) Private Limited	Berth construction and development	India	22.40	22.40	62,416	64,576	104,694	111,681

The change in cost of investment in associate held by a subsidiary is from the exchange differences on translation of functional currency to presentation currency.

(Unit: Thousand Baht)

Consolidated financial statements				
For the years ended 31 December				
Associate's name	Dividend received from associate held by a subsidiary		Share of profit (loss) from investment in associate held by a subsidiary	
	2012	2011	2012	2011
International Seaports (Haldia) Private Limited	-	3,375	(2,425)	7,637

Share of profit (loss) from investment in associate held by a subsidiary for the years ended 31 December 2012 and 2011, included in the consolidated income statements, was calculated based on the financial information of that associate as at 30 September 2012 and 2011.

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

(Unit: Thousand Baht)

Associate's name	Paid-up capital as at		Total assets as at		Total liabilities as at		Total revenues		Profit (loss)	
	30 September		30 September		30 September		for the years ended		for the years ended	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Thousand INR	Thousand INR								
International Seaports										
(Haldia) Private Limited	440,580	440,580	632,149	635,935	164,764	137,358	426,578	467,380	(10,828)	34,094

## 15. Other long-term investment

In 2006, the Company acquired 2,026,086 ordinary shares in TMN Company Limited with a par value of Baht 10 each, representing a 3% equity interest. The Company paid up Baht 5 per share, or a total of Baht 10.13 million.

The change in cost of other long-term investment is from the exchange differences on translation of functional currency to presentation currency.

During the year ended 31 December 2011, the Company received dividend income from TMN Company Limited amounting to Baht 0.51 million.

## 16. Property, plant and equipment

(Unit: Thousand Baht)

	Consolidated financial statements					
	Vessels and equipment			Furniture, fixtures and office equipment		
	Land and condominium units	Vessels and equipment	Dry-dock and special survey expenses	Total	Motor vehicles	Leasehold improvement
<b>Cost</b>						
1 January 2012	227,170	14,103,378	465,311	14,568,689	13,541	11,133
Acquisitions/transfer in	865	7,743,814	295,836	8,039,650	1,305	2,371
Disposals/transfer out/write-off	-	-	(185,753)	(185,753)	(735)	(533)
Translation adjustment	(7,608)	(531,194)	(18,159)	(549,353)	(473)	(376)
31 December 2012	220,427	21,315,998	557,235	21,873,233	13,638	12,595
<b>Accumulated depreciation</b>						
1 January 2012	194,353	4,941,164	225,176	5,166,340	11,831	10,475
Depreciation for the year	12,348	670,601	221,810	892,411	828	635
Depreciation on disposals/transfer out/write-off	-	-	(185,753)	(185,753)	(735)	(533)
Translation adjustment	(6,655)	(173,738)	(8,282)	(182,020)	(390)	(347)
31 December 2012	200,046	5,438,027	252,951	5,690,978	11,534	10,230
<b>Net book value</b>						
1 January 2012	32,817	9,162,214	240,135	9,402,349	1,710	658
31 December 2012	20,381	15,877,971	304,284	16,182,255	2,104	2,365
<b>Depreciation for the year 2012</b>						
						910,298

(Unit: Thousand Baht)

## Consolidated financial statements

	Land and condominium units	Vessels and equipment		Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
		Vessels and equipment	Dry-dock and special survey expenses				
<b>Cost</b>							
1 January 2011	215,517	10,316,527	547,426	50,869	15,767	10,592	11,156,698
Acquisitions/transfer in	636	3,182,412	120,859	811	1,301	-	3,306,019
Disposals/transfer out/write-off	-	-	(225,031)	(572)	(4,205)	-	(229,808)
Translation adjustment	11,017	604,439	22,057	2,600	678	541	641,332
31 December 2011	227,170	14,103,378	465,311	53,708	13,541	11,133	14,874,241
<b>Accumulated depreciation</b>							
1 January 2011	173,220	4,269,839	250,170	39,896	13,769	9,471	4,756,365
Depreciation for the year	11,875	438,337	190,061	4,133	1,655	502	646,563
Depreciation on disposals/transfer out/ write-off	-	-	(224,747)	(485)	(4,215)	-	(229,447)
Translation adjustment	9,258	232,988	9,692	2,165	622	502	255,227
31 December 2011	194,353	4,941,164	225,176	45,709	11,831	10,475	5,428,708
<b>Net book value</b>							
1 January 2011	42,297	6,046,688	297,256	10,973	1,998	1,121	6,400,333
31 December 2011	32,817	9,162,214	240,135	7,999	1,710	658	9,445,533
<b>Depreciation for the year</b>							
2011							646,563

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost</b>				
1 January 2012	21,976	12,220	8,466	42,662
Acquisitions/transfer in	1,742	1,305	2,371	5,418
Disposals/transfer out/write-off	(89)	(735)	(533)	(1,357)
Translation adjustment	(762)	(429)	(288)	(1,479)
31 December 2012	22,867	12,361	10,016	45,244
<b>Accumulated depreciation</b>				
1 January 2012	16,347	11,772	7,808	35,927
Depreciation for the year	2,817	569	635	4,021
Depreciation on disposals/ transfer out/write-off	(73)	(735)	(533)	(1,341)
Translation adjustment	(580)	(384)	(258)	(1,222)
31 December 2012	18,511	11,222	7,652	37,385
<b>Net book value</b>				
1 January 2012	5,629	448	658	6,735
31 December 2012	4,356	1,139	2,364	7,859
<b>Depreciation for the year</b>				
2012				4,021

(Unit: Thousand Baht)

	Separate financial statements			
	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvement	Total
<b>Cost</b>				
1 January 2011	21,084	14,947	8,055	44,086
Acquisitions/transfer in	391	-	-	391
Disposals/transfer out/write-off	(567)	(3,380)	-	(3,947)
Translation adjustment	1,068	653	411	2,132
31 December 2011	21,976	12,220	8,466	42,662
<b>Accumulated depreciation</b>				
1 January 2011	13,333	12,948	6,935	33,216
Depreciation for the year	2,734	1,597	502	4,833
Depreciation on disposals/ transfer out/write-off	(478)	(3,380)	-	(3,858)
Translation adjustment	758	607	371	1,736
31 December 2011	16,347	11,772	7,808	35,927
<b>Net book value</b>				
1 January 2011	7,751	1,999	1,120	10,870
31 December 2011	5,629	448	658	6,735
<b>Depreciation for the year 2011</b>				<b>4,833</b>

As at 31 December 2012, certain condominium units, vessels and equipment items have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 389.55 million (2011: Baht 197.18 million) in the consolidated financial statements and Baht 24.82 million (2011: Baht 19.55 million) in the separate financial statements.

As at 31 December 2012, the subsidiaries have mortgaged 30 vessels (2011: 14 vessels) with net book value of Baht 14,972.61 million (2011: Baht 6,394.78 million) with banks to secure long-term loans as referred to in Note 22 to the financial statements.



## 17. Intangible assets

Details of intangible assets which are computer software are as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separated financial statements	
	2012	2011	2012	2011
<b>Cost</b>				
Cost at beginning of year	53,149	50,217	53,085	50,217
Acquisitions	-	351	-	290
Translation adjustment	(1,777)	2,581	(1,775)	2,578
Cost at end of year	51,372	53,149	51,310	53,085
<b>Accumulated amortisation</b>				
Accumulated amortisation at				
beginning of year	30,367	19,868	30,360	19,868
Amortisation for the year	9,284	9,167	9,272	9,160
Translation adjustment	(1,135)	1,332	(1,135)	1,332
Accumulated amortisation at end of year	38,516	30,367	38,497	30,360
<b>Net book value as at 31 December</b>	<b>12,856</b>	<b>22,782</b>	<b>12,813</b>	<b>22,725</b>
<b>Amortisation for the year</b>	<b>9,284</b>	<b>9,167</b>	<b>9,272</b>	<b>9,160</b>

## 18. Advances for vessel purchase

During the year 2011, a local subsidiary entered into a Purchase Agreement termed as Memorandum of Agreement with an overseas company to purchase a second-hand vessel for a total of USD 19.50 million. The local subsidiary paid deposit of USD 12.50 million or approximately Baht 396.14 million. Subsequently, on 12 January 2012, the local subsidiary made the final balance payment and took the delivery of the vessel.

## 19. Advances for vessel constructions

The Group has orders for Newbuilding Vessels as at 31 December 2012 as follows.

<b>Vessel type</b>	18 Bulk Carriers (12 Handysize vessels and 6 Supramax vessels)	3 Cement Carriers	2 Cement Carriers
<b>Acquirer</b>	The Company	Jointly Controlled Entities (Special Purpose Subsidiaries)	Jointly Controlled Entities (Special Purpose Subsidiaries)
<b>Shipbuilder</b>	ABG Shipyard Ltd., India	ABG Shipyard Ltd., India ("India Shipbuilder")	China Shipbuilding & Offshore International Co., Ltd. and Shanhaiguan New Shipbuilding Industry Co., Ltd., China ("Chinese Shipbuilder")
<b>Contract date</b>	20 July 2007 for the 12 Handysize vessels, 14 September 2007 for 3 Supramax vessels and 11 February 2008 for 3 more Supramax vessels	22 April 2010	5 December 2012
<b>Contract price</b>	USD 30.00 million per Handysize vessel and USD 38.00 million per Supramax vessel (or USD 588.00 million in aggregate)	USD 28.50 million per vessel (or USD 85.50 million in aggregate). The Company's shareholding is 50% and therefore, in all the contracts the Company's portion is 50% of the aggregate contract prices, which is USD 42.75 million.	USD 24.18 million per vessel (or USD 48.36 million in aggregate)
<b>Payment terms</b>	The contract price will be paid in 5 installments of 20% each, with each installment (except the last installment, which would be payable on delivery) paid only on the submission of a bank guarantee in favor of the Company and milestone certificates.	The contract price will be paid in 5 installments of 20% each, with each installment (except the last installment, which would be payable on delivery) paid only on the submission of a bank guarantee in favor of each SPC subsidiary and milestone certificates.	The contract price will be paid in 5 installments the first 4 installment of 10% each would be payable on the submission of a bank guarantee in favor of each SPC subsidiary and milestone certificates. The last installment of 60% would to be payable on delivery.
<b>Expected delivery schedule</b>	2011 to 2014	2012	Within 2014

Movements of the advances for vessel constructions account during the years ended 31 December 2012 and 2011 are summarised below.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		Financial statements	
	2012	2011	2012	2011
Balance at beginning of year	7,899,189	8,548,113	5,815,021	7,112,688
Additions	972,052	1,321,392	736,183	781,436
Interest costs and commitment fees	69,316	47,744	25,170	44,171
Amortisation of financial fees	1,303	1,802	964	1,565
Other direct costs	166,093	41,794	40,576	26,918
Novation of shipbuilding contracts	(1,423,176)	(1,848,405)	(1,423,176)	(1,848,405)
Transfer to cost of vessel and equipment				
of subsidiaries	(2,617,409)	(588,433)	(778,557)	(588,433)
Adjustment	-	(979)	-	(979)
Translation adjustment	(125,020)	376,161	(165,378)	286,060
Balance at end of year	4,942,348	7,899,189	4,250,803	5,815,021
Less: Current portion of advances for				
vessel constructions	(482,996)	(1,327,296)	(391,959)	(1,327,296)
Advances for vessel constructions - net				
of current portion	4,459,352	6,571,893	3,858,844	4,487,725

During the years, the Group made payment of installments to the shipbuilders as below.

	2012		2011	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	28.52	875.15	36.47	1,111.30
Subsidiaries	53.90	1,676.91	14.70	453.55
Jointly controlled entity - in proportion with the Company's shareholding (50%) - paid to				
India Shipbuilder	2.85	87.53	2.85	86.40
Jointly controlled entity - paid to				
Chinese Shipbuilder	4.84	148.34	-	-
Total	90.11	2,787.93	54.02	1,651.25

During the year ended 31 December 2012, the amount of borrowing costs capitalised was Baht 69.32 million (2011: Baht 47.74 million) in the consolidated financial statements and Baht 25.17 million (2011: Baht 44.17 million) in the separate financial statements. The weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 1.20% - 2.97% (2011: 1.44% - 2.97%) in the consolidated financial statements and was 1.43% - 1.78% (2011: 1.44% - 1.74%) in the separate financial statements.

### **Novation of new Shipbuilding Contracts**

During the years 2012 and 2011, the Company signed a total of 9 Novation Agreements with Global Bulk Carriers Pte. Ltd. (the "New Buyer") and ABG Shipyard Ltd., India (the "Shipbuilder") to disposal of 9 new Shipbuilding Contracts. The details of Novation Agreements are as follow.

(a) 5 Novation Agreements signed and closed

Details of 5 Novation Agreements are as follows.

<b>Novation Agreement Date</b>	<b>Vessel Hull No.</b>	<b>DWT</b>	<b>Shipbuilding Contract Date</b>	<b>Contract Amount (USD)</b>	<b>Installments paid to the Shipbuilder by the Company (USD)</b>
18 March 2011	329	32,000	20 July 2007	29,999,997	17,999,997
18 March 2011	330	32,000	20 July 2007	29,999,997	17,999,997
18 March 2011	313	54,000	14 September 2007	37,999,998	22,799,998
21 December 2011	333	32,000	20 July 2007	29,999,997	17,999,997
25 January 2012	315	54,000	14 September 2007	37,999,998	22,799,998

According to the Novation Agreements, the New Buyer had to pay the Company all installments paid to the Shipbuilder plus interest at 7.50% per annum from the dates of payment of the respective installments plus an additional amount of USD 100,000 per new Shipbuilding Contract.

During the year ended 31 December 2012, the Company received in aggregate USD 51.66 million or approximately Baht 1,615.05 million as the novation proceeds from the disposal of 2 new Shipbuilding Contracts (Vessel Hull Nos. 333 and 315). The Company recorded gains on Novation of Shipbuilding Contracts amounting to USD 9.77 million or approximately Baht 305.45 million in the consolidated and separate income statements for the year ended 31 December 2012.

During the year ended 31 December 2011, the Company received in aggregate USD 71.47 million or approximately Baht 2,167.57 million as the novation proceeds from the disposal of 3 new Shipbuilding Contracts (Vessel Hull Nos. 329,330 and 313). The Company recorded gains on Novation of Shipbuilding Contracts amounting to USD 10.52 million or approximately Baht 319.17 million in the consolidated and separate income statements for the year ended 31 December 2011.

(b) 4 Novation Agreements signed on 10 September 2012

Details of 4 Novation Agreements are as follows.

Hull No.	Details of novated shipbuilding contract				Novation Consideration per Novation Agreement					
					Maximum amount paid to the Shipbuilder by the Company (USD)	To be paid by the New Buyer		To be paid by the Shipbuilder (through adjustment against other Shipbuilding Contracts)		
	DWT	Shipbuilding Contract Date	Contract Amount (USD)	Installments paid to the Shipbuilder by the Company (USD)		The last payment date	Maximum amount (USD) <sup>(1)</sup>	Termination date	Pay (adjust) the next installment of Hull No.	Maximum amount (USD) <sup>(2)</sup>
336	32,000	20 July 2007	29,999,997	5,999,999	8,405,478	15 November 2012	100,000	29 November 2012	337	8,305,478
340	32,000	20 July 2007	29,999,997	5,999,999	9,005,889	31 December 2012	100,000	31 March 2014	342	8,905,889
316	54,000	14 September 2007	37,999,998	15,199,998	24,023,490	31 December 2012	13,440,752	29 January 2013	348	10,582,738
347	54,000	11 February 2008	37,999,998	15,199,998	23,896,997	31 December 2012	13,440,752	31 March 2013	349	10,456,245

(1) if the payment is made on the last payment date

(2) if the payment (by way of adjustment) is made on the Termination Date

According to the Novation Agreements, the New Buyer and the Shipbuilder will repay the Company all installments of Hull Nos. 336, 340, 316 and 347 paid to the Shipbuilder plus interest at a rate of 7.50% per annum from the dates of payment of the respective installments with additional compensation to the Company partly in cash and partly as adjustment of the Company's liability to pay the next installments of Hull Nos. 337, 342, 348 and 349, subject to a refund guarantee received in accordance with the terms of the same Shipbuilding Contracts against which the adjustments are made.

For each Novation Agreement,

- a) if the Novation Consideration to be paid by the New Buyer is not received by the Company; or
- b) the Novation Consideration to be paid by the Shipbuilder is not received by the Company; or
- c) the Shipbuilder fails to obtain extension of the relevant Refund Guarantees of the installments paid under the relevant Shipbuilding Contracts,

the Company will be entitled to cancel the respective Shipbuilding Contracts and all the payments made to the Shipbuilder by the Company under the respective Shipbuilding Contracts plus interest accrued on each such payment at a rate of 7.50% per annum shall be due and payable by the Shipbuilder, in accordance with the respective Shipbuilding Contracts.

Further, with respect to the installments paid for the vessel construction, the Company still holds valid letters of guarantee from overseas banks, guaranteeing the refund of installments paid (with certain interest rates) in case of a failure by the New Buyer or Shipbuilder to perform in accordance with the Novation Agreements and/or the Shipbuilding Contracts.

During the year ended 31 December 2012, the Company received USD 3.64 or approximately Baht 113.58 million being part of the novation consideration for Hull Nos. 316 and 336.

Subsequently, on 18 January 2013, the Company received further USD 7.28 million or approximately Baht 216.88 million being part of the novation consideration for Hull Nos. 316, 340 and 347. The Company is in discussion with the New Buyer and the Shipbuilder with respect to the balance of the novation proceeds.

#### **Amendment of the Shipbuilding Contract**

On 27 August 2012, the Company has executed the Addendum Agreement to the Shipbuilding Contract dated 20 July 2007 with ABG Shipyard Ltd., India for the construction of Hull No. 335, mainly to amend the Contract Price from USD 29,999,997 to USD 23,000,000 and the Delivery Date from 30 March 2012 (including 90 days' grace period) to 31 January 2013.

### **Delivery of vessels under the Shipbuilding Contracts with ABG Shipyard Ltd., India**

On 26 March 2012, the second vessel (Hull No. 334) was completed and delivered to the Company's indirect subsidiary incorporated in Singapore (Precious Fragrance Pte. Limited). The Company, therefore, transferred advances for vessel construction and other direct costs which were relevant to the vessel, totaling USD 29.88 million or approximately Baht 917.53 million, and recorded as cost of vessel and equipment of the aforesaid indirect subsidiary.

### **Delivery of vessels under the Shipbuilding Contracts with Yangzhou Guoyu Shipbuilding Co. Ltd., China**

During the year ended 31 December 2012, 4 vessels were completed and delivered to the Company's 4 indirect subsidiaries incorporated in Singapore as detailed below.

<b>Delivery date</b>	<b>Subsidiary's name</b>	<b>Cost of vessel construction and other direct costs</b>
10 August 2012	Precious Comforts Pte. Limited	USD 27.51 million (or approximately Baht 859.95 million)
19 September 2012	Precious Sparks Pte. Limited	USD 27.54 million (or approximately Baht 860.83 million)
22 October 2012	Precious Visions Pte. Limited	USD 27.58 million (or approximately Baht 846.08 million)
29 November 2012	Precious Bridges Pte. Limited	USD 27.61 million (or approximately Baht 846.97 million)



## 20. Deferred financial fees

Movements of the deferred financial fees account during the years ended 31 December 2012 and 2011 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Balance at beginning of year	211,832	329,044	168,155	324,784
Additions	50,796	40,085	35,318	-
Transfer to present as a deduction against long-term loans	(91,485)	(89,849)	(3,660)	(6,063)
Transfer to subsidiaries as a borrower	-	-	(54,637)	(82,317)
Write-off deferred financial fee due to cancellation and reduction of loan facilities	(39,895)	(81,749)	(39,895)	(81,749)
Translation adjustment	(6,036)	14,301	(4,720)	13,500
Balance at end of year	125,212	211,832	100,561	168,155

During the year 2012, the Company has written off Baht 39.90 million (2011: Baht 81.75 million) being a part of the deferred financial fees paid in earlier years due to the cancellation and reduction of loan facilities. The amount of write-off has been estimated on a pro-rata basis to the amount of reduction of the facilities.

## 21. Accrued employee bonus

As at 31 December 2012 and 2011, accrued employee bonus can be separated based on the year the payment is to be made to employees, as follows.

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
Payable within	2012	2011	2012	2011
1 year	44,223	66,761	40,890	61,556
2 - 3 years	22,986	54,028	21,227	49,836
Total	67,209	120,789	62,117	111,392

**22. Long-term loan facilities**

As at 31 December 2012 and 2011, long-term loans accounts are presented below.

(Unit: Thousand Baht)

	Consolidated financial statements									
	Loan facilities for financing the construction and acquisition of new vessels					Loan facilities for purchasing of vessels				
	Facility 1		Facility 2		Facility 3		Facility 1		Facility 3	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Long-term loans	2,093,783	2,782,249	174,601	180,640	1,618,758	-	4,546,766	4,189,231	811,370	-
Less: Deferred financial fees	(11,942)	(15,536)	(2,350)	(2,776)	(31,183)	-	(122,670)	(107,431)	(10,142)	-
Total	2,081,841	2,766,713	172,251	177,862	1,587,575	-	4,424,096	4,081,800	801,228	-
Less: Current portion of long-term loans	(546,134)	(329,924)	(5,742)	(8,893)	(127,614)	-	(122,479)	(379,732)	-	-
Long-term loans - net of current portion	1,535,707	2,436,789	166,509	168,969	1,459,961	-	4,301,617	3,702,068	801,228	-
									9,066,991	7,026,375
									(801,969)	(718,549)
									8,265,022	6,307,826

(Unit: Thousand Baht)

	Separate financial statements	
	Loan facilities for financing the construction and acquisition of new vessels	
	Facility 1	
	2012	2011
Long-term loans	1,200,759	2,155,001
Less: Deferred financial fees	(6,188)	(11,399)
Total	1,194,571	2,143,602
Less: Current portion of long-term loans	(481,890)	(286,951)
Long-term loans - net of current portion	712,681	1,856,651

Movements in the long-term loan accounts during the year ended 31 December 2012 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements					
	Loan facilities for financing the construction and acquisition of new vessels			Loan facilities for purchasing of vessels		
	Facility 1	Facility 2	Facility 3	Facility 1	Facility 3	Total
Balance at beginning of year	2,766,713	177,862	-	4,081,800	-	7,026,375
Add: Drawdown	933,185	-	1,642,536	1,535,580	920,843	5,032,144
Amortisation of financial fees	3,586	339	1,755	25,456	434	31,570
Write-off deferred financial fee						
due to cancellation of loan facility	3,229	-	-	-	-	3,229
Unrealised exchange loss	-	-	-	36,684	-	36,684
Less: Deferred financial fees	(3,660)	-	(33,187)	(44,048)	(10,590)	(91,485)
Repayment	(679,067)	-	(10,859)	(484,397)	-	(1,174,323)
Prepayment	(153,372)	-	-	(602,924)	(108,341)	(864,637)
Prepayment due to cancellation of loan facility	(708,563)	-	-	-	-	(708,563)
Translation adjustment	(80,210)	(5,950)	(12,670)	(124,055)	(1,118)	(224,003)
Balance at end of year	2,081,841	172,251	1,587,575	4,424,096	801,228	9,066,991

(Unit: Thousand Baht)

	Separate financial statements
	Loan facilities for financing the construction and acquisition of new vessels
	Facility 1
Balance at beginning of year	2,143,602
Add: Drawdown	368,092
Amortisation of financial fees	964
Transfer of deferred financial fees to subsidiaries	4,358
Write-off deferred financial fees due to cancellation of loan facility	3,229
Less: Deferred financial fees	(3,660)
Repayment	(552,809)
Prepayment due to cancellation of loan facility	(708,563)
Translation adjustment	(60,642)
Balance at end of year	1,194,571

The details of each loan facility are summarised as follows.

## 22.1 Loan facility for financing the construction and acquisitions of new vessels (Newbuildings)

### Facility 1

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

During the years ended 31 December 2012 and 2011, the Company novated the 9 New Shipbuilding Contracts per details provided in Note 19 to the financial statements and therefore, the Company prepaid the loans drawn and cancelled the undrawn balance loan facility against the respective Hulls as follows.

Hull No.	Prepayment Date	Undrawn Loan Facility Cancellation Amount (USD)	Loan Prepayment Amount (USD)
315	24 January 2012	22,800,001	7,599,999
316	27 July 2012	22,800,001	7,599,999
336	-	24,000,000	-
334	-	5,600,000	-
335	-	5,600,000	-
347	31 August 2012	22,800,001	7,599,999
Total for 2012		103,600,003	22,799,997
329	26 April 2011	12,000,002	11,999,998
330	7 April 2011	12,000,002	11,999,998
313	26 July 2011	15,200,001	15,199,999
331	-	2,400,000	-
333	25 October 2011	12,000,002	11,999,998
Total for 2011		53,600,007	51,199,993

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

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

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

The Loan Agreement contains covenants that, among other things, require the Company to maintain certain financial ratios which include:

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

## Facility 2

On 28 October 2010, ABC One Pte. Limited, one of the three Singapore registered subsidiaries (referred to as the "SPC subsidiary" in this note) of Associated Bulk Carriers Pte. Limited, the Jointly Controlled Entity (the ABC Company) where the Company holds 50% interest, entered into a Secured Loan Agreement of USD 22.80 million with an international bank to fund 80% of the Contract Price of the new cement carrier ordered by the SPC subsidiary on 22 April 2010. The loan carries interest at LIBOR plus margin. The drawing, final maturity, repayment and security of the loan facility are summarised as follows.

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



The Secured Loan Agreement contains covenants that, among other things, require ABC One Pte. Limited to maintain certain financial ratios which include:

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

As at 31 December 2012, ABC One Pte. Limited is under discussions with the Bank to extend the availability period and amend other terms.

### Facility 3

On 14 October 2011, the 4 indirect subsidiaries incorporated in Singapore ("SPCs") have executed an USD 84.96 million Loan Agreement with ING Bank N.V., Singapore Branch and DnB NOR Bank ASA, Singapore Branch to finance up to 80% of the Total Acquisition Cost of the 4 new Supramax 57,000 DWT Dry Bulk vessels ordered by each SPC to be built in China. The loan carries interest at LIBOR plus margin. The drawing, final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	Each request for drawdown, other than the portion of acquisition cost pertaining to the share purchase consideration shall be in accordance with the relevant shipbuilding contract(s).	100% of the post-delivery facility amount is to be drawn upon delivery of the respective vessels.
Final maturity	8 years after final drawdown of each vessel tranche	8 years after final drawdown of each vessel tranche
Repayment	To be repaid in one lump sum upon delivery of the respective Vessel from the proceeds of the post-delivery drawdown	For each Vessel, in 32 equal quarterly installments of USD 354,000 and a balloon repayment of USD 9,912,000 together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel.

Facility / Description	Pre-delivery facility	Post-delivery facility
Security	<ul style="list-style-type: none"> <li>a) Pledge of shares of the borrowers</li> <li>b) First priority assignment of refund guarantees issued by the China Merchants Bank, or any other banks/financial institutions acceptable to the lenders</li> <li>c) First priority assignment of the shipbuilding contracts</li> <li>d) Corporate guarantee from the Company</li> </ul>	<ul style="list-style-type: none"> <li>a) Pledge of shares of the borrowers</li> <li>b) First priority mortgage on the vessels</li> <li>c) First priority assignment of earnings and time charters</li> <li>d) First priority pledge over the earnings accounts with the security agent</li> <li>e) First priority assignment of all insurances and requisition compensation of the vessels</li> <li>f) Corporate guarantee from the Company</li> <li>g) All the above post-delivery securities to be cross collateralised</li> </ul>

The Loan Agreement contains covenants that, among other things, require the Company to maintain certain financial ratios on its consolidated USD financial statements which include:

- a) maintenance of the maximum funded debt to total shareholders' equity ratio of 2:1
- b) maintenance of the maximum funded debt to EBITDA ratio of 5:1
- c) maintenance of a minimum free cash balance of USD 100,000 per vessel owned by the Precious Group

#### Facility 4

On 15 February 2012, ABC Two Pte. Limited and ABC Three Pte. Limited, SPC subsidiaries of jointly controlled entity, Associated Bulk Carriers Pte. Limited, ("ABC Company"), where the Company holds 50% interest, executed a USD 45.60 million Term Loan Facility with Bangkok Bank Public Company Limited (Singapore Branch) to finance up to 80% of the Contract Price of two new Cement Carriers ordered by the SPC subsidiaries on 22 April 2010. The loan carries interest at LIBOR plus margin. The drawing, final maturity, repayment and security of the loan facility are summarised as follows.

Facility / Description	Pre-delivery facility	Post-delivery facility
Drawing	As per milestones in the shipbuilding contract whereby the aggregate of all drawings would be equivalent to 60% of the contract price of the vessel	100% of the post-delivery facility amount equivalent to 80% of the contracted price of vessel is to be drawn upon delivery of the vessel out of which the entire pre-delivery facility amount (60% of the contract price) will be repaid.
Final maturity	Delivery of vessel	9.75 years from delivery of the vessel
Repayment	To be repaid in one lump sum (from post-delivery facility) upon delivery of vessel	For each Vessel, in 39 equal quarterly installments of USD 380,000 and a balloon repayment of USD 7,980,000 together with the last installment. The first repayment installment to be due 3 months after the final drawdown of each vessel.
Security	<ul style="list-style-type: none"> <li>a) 1st priority assignment of the shipbuilding contract</li> <li>b) 1st priority assignment of the refund guarantees by the refund guarantors given in relation to the shipbuilding contract</li> <li>c) Pledge of the shares of ABC Two Pte. Limited and ABC Three Pte. Limited (the SPC subsidiaries)</li> <li>d) Corporate Guarantee from ABC Two Pte. Limited and ABC Three Pte. Limited (the SPC subsidiaries)</li> <li>e) Corporate Guarantees from the Company and the JV Partner's 2 Companies in proportion to the respective partner's interest in the SPC subsidiary, which is 50% from the Company and 50% from the JV partner</li> </ul>	<ul style="list-style-type: none"> <li>a) 1st priority mortgage over the vessel</li> <li>b) 1st priority assignment of all earnings insurance policies and requisition compensation of the vessels</li> <li>c) 1st priority assignment of Time Charter contracts</li> <li>d) 1st priority charge over the Earnings Account and Retention Account</li> <li>e) Corporate guarantee from ABC Two Pte. Limited and ABC Three Pte. Limited (the SPC subsidiaries)</li> <li>f) Corporate Guarantees from the Company and the JV Partner's 2 companies in proportion to the respective partner's interest (50% holding by each partner) in the SPC subsidiaries for an aggregate amount of upto USD 8 million. Therefore, the maximum amount of the Guarantee of the Company shall be USD 4 million.</li> </ul>

The Secured Loan Agreement contains covenants that, among other things, require ABC Two Pte. Limited and ABC Three Limited to maintain certain financial ratios which include:

- a) Debt Service Coverage Ratio ("DSCR") of no less than 1.1 times
- b) Equity Ratio (ratio of Equity to Total Assets) of no less than 20%.

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

### **Facility 1**

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

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

On 31 January 2011, the Company executed the amendment of the Secured Loan Facility Agreement (to fund the acquisition of second-hand vessels) with Krung Thai Bank PCL and two other local Banks to (i) convert the unutilised portion of the Tranche A Facility at the end of the Tranche A Availability Period into a USD facility in the amount of USD 200.00 million, (ii) extend the availability period of the Facility upto 29 December 2011, (iii) expand the scope of the utilisation of the Hedging Facility to allow for interest rate swaps and extend the Hedging Availability Period.

On 18 May 2012 and 24 December 2012, 4 local subsidiaries entered into USD Interest Rate Swap Agreements covering interest of the USD outstanding loans, whereby floating interest rates are to be swapped for fixed interest rates. The swap periods and payments are quarterly and correspond to the interest payment schedules of the underlying USD loans. The swap agreements are effective for interest payable during the period from 31 December 2014 to 30 September 2022.

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

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

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

The details of drawdown of the facility are as follows.

- a) During the years 2011 and 2010, 2 local subsidiaries had drawn down Baht 1,502.35 million for purchase of 2 vessels.
- b) During the year 2011, 4 local subsidiaries had drawn down USD 92.00 million from this facility and the undrawn facility was reduced to USD 108.00 million. In order to extend the availability period of the undrawn facility, on 9 March 2012, the Company and local subsidiaries executed a USD 50.00 million Term Loan Facility on same terms and conditions with one of the three local commercial banks and the loan was used for purchase of vessels by 2 local subsidiaries and thereafter the balance of USD 58.00 million was cancelled.
- c) During the years 2011 and 2010, 2 local subsidiaries swapped the Thai Baht loan of Baht 1,502.35 million into USD 45.90 million.
- d) During the year 2012, 4 local subsidiaries swapped the interest of the USD loans of USD 64.82 million, from floating interest rates (LIBOR) to fixed interest rate (2.10%) for interest payable during the period from 31 December 2014 to 30 September 2022.

## Facility 2

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

The availability period of facility 2 for purchasing of vessels expired on 30 June 2011 which subsequently, on 18 July 2011, the Company executed the amending and restating agreement of the Secured Term Loan Facility Agreement for the extension of the availability period upto 30 June 2012 and for the withdrawal of one local Bank as one of the original Lenders, thereby reducing the amount of the total loan facility to USD 200.00 million.

On 19 July 2012, the Company executed the amending and restating agreement No. 2 of the Secured Term Loan Facility Agreement for the extension of the availability period of the facility up to 30 June 2013, an increase in the margin and the withdrawal of one local Bank as one of the original Lenders, thereby reducing the amount of the total loan facility to USD 150.00 million.

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

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

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

### Facility 3

On 17 February 2012, the Company executed a USD 100 million Term Loan Facility with Export-Import Bank of Thailand to finance up to 80% of the Acquisition Cost of new or second-hand Dry Bulk Vessels which the Company may want to buy. The loan carries interest at LIBOR plus margin. The loan was to be drawn down within 30 December 2012 (availability period), and to be repaid in equal quarterly installments over a period of 8.5 years commencing from the end of the availability period.

The loan facility has to be secured by the mortgage of the shipowning subsidiaries' vessels, the pledge of the subsidiaries' shares and the assignment of the beneficiary rights under the insurance policies for the mortgaged vessels of the subsidiaries.

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

- a) maintenance of debt to total shareholders' equity ratio not exceeding 2:1
- b) maintenance of net funded debt to EBITDA ratio not exceeding 5:1
- c) maintenance of debt service coverage ratio of at least 1.1:1

The availability period of facility 3 for purchasing of vessels expired on 30 December 2012. However, on 27 December 2012, the Company has executed the Amendment Agreement of the Secured Term Loan Facility Agreement for the extension of the availability period of the balance of the Facility of USD 69.98 million up to 30 December 2013.



The Group's bank loan facilities and the undrawn loan balances as at 31 December 2012 and 2011 are summarised below.

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		(Unit: Million USD)	
				2012	2011	2012	2011
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)							
Facility 1	DNB NOR Bank ASA (Singapore Branch) and 5 other banks, total 6 banks	The Company and subsidiaries	LIBOR + margin	167.20	293.60	88.00	204.00
Facility 2	NIBC Bank Ltd., Singapore	ABC One Pte. Limited (a SPC subsidiary of the jointly controlled entity)	LIBOR + margin	22.80	22.80	11.40	11.40
Facility 3	ING Bank N.V. (Singapore Branch) and DNB NOR Bank ASA (Singapore Branch)	4 indirect subsidiaries in Singapore	LIBOR + margin	84.96	84.96	21.24	84.96
Facility 4	Bangkok Bank PCL (Singapore Branch)	ABC Two Pte. Limited and ABC Three Pte. Limited (SPC subsidiaries of the jointly controlled entity)	LIBOR + margin	45.60	-	45.60	-

Facility	Bank	Borrower	Interest rate per loan/amendment agreement	Maximum facility amount per loan/amendment agreement		(Unit: Million USD)	
				2012	2011	2012	2011
Loan facilities for purchasing of vessels							
Facility 1	Krung Thai Bank PCL and 2 other banks, total 3 banks	The Company and local subsidiaries	MLR-1 for Thai Baht loan and LIBOR + margin for USD loan	USD 142.00 million and Baht 1,502.35 million	USD 200.00 million and Baht 1,502.35 million	-	USD 108.00 million
Facility 2	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Bangkok Branch and 2 other banks, total 3 banks	The Company and subsidiaries	LIBOR + margin	150.00	200.00	150.00	200.00
Facility 3	Export-Import Bank of Thailand	The Company and subsidiaries	LIBOR + margin	100.00	-	69.98	-

Under the loan facility for financing the construction and acquisition of new vessels (Facility 2), the Company holds 50% of the total shareholding in the SPC subsidiary of the jointly controlled entity, the maximum facility amount per Loan Agreement and the undrawn loan balance as at 31 December 2012 of the Company's portion is USD 11.40 million and USD 5.70 million, respectively (2011: USD 11.40 million and USD 5.70 million, respectively).

Under the loan facility for financing the construction and acquisition of new vessels (Facility 4), the Company holds 50% of the total shareholding in the SPC subsidiaries of the jointly controlled entity, the maximum facility amount per Loan Agreement and the undrawn loan balance as at 31 December 2012 of the Company's portion is USD 22.80 million and USD 22.80 million, respectively (2011: Nil).

### 23. Provision for maritime claims

(Unit: Thousand Baht)

	Consolidated financial statements	
	2012	2011
Balance at beginning of year	64,637	67,237
Increase during the year	27,857	24,222
Decrease during the year	(22,217)	(29,780)
Translation adjustment	(2,578)	2,958
Balance at end of year	67,699	64,637

### 24. Provision for long-term employee benefits

Provision for long-term employee benefits, which is compensation payable on employees' retirement, was as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Defined benefit obligation at beginning of year	63,023	57,408	57,001	51,551
Current service cost	3,630	3,849	3,497	3,721
Interest cost	2,179	2,082	2,105	2,016

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Actuarial loss	1,545	-	1,759	-
Translation Adjustment	(65)	(316)	(64)	(287)
Defined benefit obligation at end of year	70,312	63,023	64,298	57,001
Provisions for long-term employee benefits at end of year	70,312	63,023	64,298	57,001

Long-term employee benefit expenses included in the income statement were as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service cost	3,630	3,849	3,497	3,721
Interest cost	2,179	2,082	2,105	2,016
Total expenses recognised in the income statement	5,809	5,931	5,602	5,737
Line items under which such expenses are included in the income statement				
Administrative expenses	3,829	3,568	3,622	3,374
Management remuneration including perquisites	1,980	2,363	1,980	2,363

Total actuarial losses recognised in the other comprehensive income in the consolidated financial statements as at 31 December 2012 amounted to Baht 1.53 million (2011: Nil) (Separate financial statements: Baht 1.74 million and 2011: Nil)

Principal actuarial assumptions at the valuation date were as follows.

	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
	(% per annum)	(% per annum)	(% per annum)	(% per annum)
Discount rate	3.80	4.70	3.80	4.70
Future salary increase rate (depending on age)	6.50	6.50	6.50	6.50
Staff turnover rate	2.00 - 5.00	2.00 - 5.00	2.00 - 5.00	2.00 - 5.00

Amounts of defined benefit obligation for the current and previous two periods are as follows.

	(Unit: Thousand Baht)			
	Defined benefit obligation		Experience adjustments arising on the plan liabilities	
	Consolidated	Separate	Consolidated	Separate
	financial statements	financial statements	financial statements	financial statements
Year 2012	70,312	64,298	(3,392)	(2,937)
Year 2011	63,023	57,001	-	-
Year 2010	57,408	51,551	-	-

## 25. 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 5.00% of its profit for the year after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution. At present, the statutory reserve has fully been set aside.

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

## 26. Corporate social responsibility (CSR) reserve

The Company has earmarked 0.5% of its profit for the year as a reserve towards CSR activities. The Company expects to earmark amounts based on the same percentage of profit annually on a cumulative basis, but subject to a minimum of Baht 1.75 million and a maximum of Baht 25.00 million per year. The reserve was approved by a meeting of the Board of Directors of the Company on 14 August 2008.

During the year 2012, the Company set aside Baht 1.75 million (2011: Baht 3.59 million) to a reserve for CSR activities and reversed Baht 2.13 million (2011: Baht 2.60 million) from the reserve when the Company made related payments against the reserve.

## 27. Expenses by nature

Significant expenses by nature are as follows.

	(Unit: Thousand Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Salary, wages and other benefits of employees and crews	1,008,349	745,205	192,939	202,341
Rental expenses from operating lease agreements	5,157	5,321	3,726	3,887

## 28. Income tax

No corporate income tax was payable for the years 2012 and 2011, 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 local subsidiaries are exempted from the payment of income tax on their marine transportation income. In addition, the subsidiaries are exempted from the payment of income tax on their marine transportation business under the provisions of the Investment Promotion Act B.E. 2520.

Corporate income tax of the overseas subsidiaries, associate and jointly controlled entity has been calculated by applying the applicable statutory rates of the relevant countries.

As at 31 December 2012 the Group has deductible temporary differences, temporary differences arising from exchange difference occurring while translating financial statements in functional currency into presentation currency and unused tax losses totaling Baht 1,657.52 million (2011: Baht 1,641.90 million) (the Company Baht 1,253.62 million, 2011: Baht 1,430.74 million). However, the Group did not recognise deferred tax assets as the Group believes that it is not probable that future taxable profit will be available to allow the entire deferred tax assets to be utilised.

As at 31 December 2012, the Company has temporary difference arising from exchange difference from the translation of the financial statements from functional currency into presentation currency associated with investments in subsidiaries for which deferred tax liability has not been recognised, aggregating Baht 35.04 million (2011: Baht 252.96 million).

## **29. 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. In 2012, the subsidiaries have 18 vessels (2011: 11 vessels) under investment promoted operations.

Revenues and expenses for 2012 and 2011 (before eliminating related transactions), classified between promoted and non-promoted operations can be summarised below.



(Unit: Thousand Baht)

			Non-promoted operations					
			Operations exempted from corporate income tax in accordance with the Director-General's Notification on Income Tax No. 72		Operations not eligible for corporate income tax exemption		Total	
Promoted operations								
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues	1,749,552	1,557,487	1,134,820	1,310,063	1,426,048	1,522,956	4,310,420	4,390,506
Costs and expenses	(1,726,415)	(1,056,272)	(1,144,178)	(960,607)	(1,059,191)	(984,530)	(3,929,784)	(3,001,409)

### 30. Basic earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the year.

### 31. Segment information

The Group's operations involve the business of owning and internationally operating (chartering) small handy sized and supramax dry bulk vessels, on a tramp shipping basis without any set routes. This is the only industry segment in which the Group mainly operates 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 vessels, 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 Group bears all the voyage expenses. The voyage expenses are presented in the financial statements as voyage disbursements and bunker consumption. Under Time charter, the vessel 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 Groups' 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Hire income	2,231,024	2,147,190	-	-	2,231,024	2,147,190	(50,503)	(44,540)	2,180,521	2,102,650
Freight income	-	-	1,396,593	1,133,442	1,396,593	1,133,442	(89,577)	(157,177)	1,307,016	976,265
Total vessel operating income	2,231,024	2,147,190	1,396,593	1,133,442	3,627,617	3,280,632	(140,080)	(201,717)	3,487,537	3,078,915
Voyage disbursements	-	-	(358,053)	(333,022)	(358,053)	(333,022)	140,080	201,717	(217,973)	(131,305)
Bunker consumption	-	-	(570,871)	(327,084)	(570,871)	(327,084)	-	-	(570,871)	(327,084)
Total voyage expenses	-	-	(928,924)	(660,106)	(928,924)	(660,106)	140,080	201,717	(788,844)	(458,389)
Net vessel operating income/time charter equivalent income	2,231,024	2,147,190	467,669	473,336	2,698,693	2,620,526	-	-	2,698,693	2,620,526

### 32. Provident fund

The Company and subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company/the subsidiaries contributed to the fund monthly at the rate of 5% of basic salary. The fund, which is managed by Kasikornbank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2012, the Company and subsidiaries contributed Baht 3.13 million (2011: Baht 2.66 million) to the provident fund (Separate financial statements: Baht 2.89 million, 2011: Baht 2.41 million).

### 33. Dividends paid

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

Dividends declared during the year 2012 consist of the following.

	Approved by	Qualified ordinary share (shares)	Shares held by the registrar (shares)	Dividend per share (Baht)	Dividend paid (Million Baht)	Paid date
a) Interim dividend based on the retained earnings as of 30 September 2012	Board of Directors' meeting on 6 November 2012	1,039,378,300	142,300	0.10	103.94	3 December 2012
b) Interim dividend based on the retained earnings as of 30 June 2012	Board of Directors' meeting on 6 August 2012	1,039,187,097	333,503	0.10	103.91	3 September 2012
c) Interim dividend based on the retained earnings as of 31 March 2012	Board of Directors' meeting on 14 May 2012	1,039,380,297	140,303	0.10	103.94	12 June 2012
d) Final dividend based on the retained earnings as of 31 December 2011	Annual General Meeting of the shareholders on 26 March 2012	1,039,382,300	138,300	0.15	155.91	5 April 2012
Total				0.45	467.70	

Dividends declared during the year 2011 consist of the following.

	Approved by	Qualified ordinary share (shares)	Shares held by the registrar (shares)	Dividend per share (Baht)	Dividend paid (Million Baht)	Paid date
a) Interim dividend based on the retained earnings as of 30 September 2011	Board of Directors' meeting on 3 November 2011	1,039,379,450	141,150	0.15	155.90	1 December 2011
b) Interim dividend based on the retained earnings as of 30 June 2011	Board of Directors' meeting on 4 August 2011	1,039,376,100	144,500	0.15	155.91	2 September 2011
c) Interim dividend based on the retained earnings as of 31 March 2011	Board of Directors' meeting on 12 May 2011	1,039,373,000	147,600	0.10	103.94	8 June 2011
d) Final dividend based on the retained earnings as of 31 December 2010	Annual General Meeting of the shareholders on 14 March 2011	1,039,378,200	142,400	0.22	228.66	25 March 2011
Total				0.62	644.41	

### 34. Commitments and contingent liabilities

#### 34.1 Vessel building contracts commitments

As at 31 December 2012 and 2011, the Group had future minimum payment commitments under vessel building contracts as detailed below.

	2012		2011	
	(Million USD)	(Equivalent to Million Baht)	(Million USD)	(Equivalent to Million Baht)
The Company	122.60	3,755.43	268.40	8,505.92
Subsidiaries	-	-	53.90	1,708.15
Jointly controlled entity - proportion with the Company's shareholding (50%) - with India Shipbuilder*	25.65	785.70	28.50	903.20
Jointly controlled entity - with Chinese Shipbuilder	43.52	1,333.21	-	-
Total	191.77	5,874.34	350.80	11,117.27

\* As mentioned in note 37.2 to the financial statements, on 18 January 2013, the Company has completed the signing and the Closing of a Share Sale and Purchase Agreement, and accordingly, the Company has taken 100% control of Associated Bulk Carriers Pte. Limited since 18 January 2013.

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

As at 31 December 2012 and 2011, the Group had obligations in respect of the charges for management of the undrawn portion of loan facilities, which are summarised as follows.

Facility	Commitment fees payable by the Group	Undrawn loan balance as at 31 December		Terms of payment of commitment fees	Payable upto
		2012	2011		
		(Million USD)	(Million USD)		
Loan facilities for financing the construction and acquisition of new vessels (Newbuildings)					
Facility 1	0.35% per annum of undrawn loan balance	88.00	204.00	Every three months until the end of the drawdown period	Upon delivery of each vessel
Facility 2	1.20% per annum of undrawn loan balance	11.40	11.40	Every three months until the end of the drawdown period	Upon delivery of the vessel
Facility 3	1.15% per annum of undrawn loan balance	21.24	84.96	Every three months until the end of the drawdown period	Upon delivery of each vessel
Facility 4	1.20% per annum of undrawn loan balance	45.60	-	Every three months until the end of the drawdown period	Upon delivery of each vessel

Facility	Commitment fees payable by the Group	Undrawn loan balance as at 31 December		Terms of payment of commitment fees	Payable upto
		2012 (Million USD)	2011 (Million USD)		
Loan facilities for purchasing of vessels					
Facility 1	1.00% per annum of undrawn loan balance	-	108.00	Every three months until the end of the drawdown period	26 March 2012
Facility 2	0.70% per annum of undrawn loan balance	150.00	200.00	Every three months until the end of the drawdown period	30 June 2013
Facility 3	0.70% per annum of undrawn loan balance	69.98	-	Every three months until the end of the drawdown period	30 December 201

Since the Company holds 50% of the total shareholding in the SPC subsidiaries of the jointly controlled entity, the undrawn loan balance of loan facility for financing the construction and acquisition of new vessels under Facility 2 and Facility 4 of the Company's portion is 50% of the undrawn loan balance.

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

As at 31 December 2012, the Company has a commitment of Baht 10.13 million in respect of the uncalled portion of other long-term investment (2011: Baht 10.13 million).

### 34.4 Long-term time charter commitments

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

In 2011, the Company has nominated the 3 Long-Term Charter Contracts (3 definite vessels) to each SPC subsidiary of the jointly controlled entity. Since the Company holds 50% of the total shareholding in each SPC subsidiary (through the jointly controlled entity), the Company's portion is 50% of the commitments.

As at 31 December 2012, ABC One Pte. Limited (a SPC subsidiary of the jointly controlled entity) has paid the fine payable to the charterer due to the delay of vessel delivery amounting to USD 2.14 million or approximately Baht 65.61 million (2011:

USD 0.65 million or approximately Baht 20.60 million). The Company's portion is 50% of the amount, which is USD 1.07 million or approximately Baht 32.81 million (2011: USD 0.33 million or approximately Baht 10.30 million) included in other non-current assets in the consolidated statement of financial position. This amount will be deducted from the final payment to the shipbuilder, as stipulated in the shipbuilding agreement ordered by ABC One Pte. Limited.

As mentioned in Note 37.2 to the financial statements, on 18 January 2013, the Company has completed the signing and the Closing of a Share Sale and Purchase Agreement, and accordingly, the Company has taken 100% control of Associated Bulk Carriers Pte. Limited, which was the jointly controlled entity until 18 January 2013.

#### **34.5 Vessel purchase contract commitments**

On 27 December 2012, 2 local subsidiaries entered into respective Purchase Agreements termed as Memorandum of Agreement with an overseas company to purchase two vessels as detailed below.

<b>Subsidiary's name</b>	<b>Vessel purchase price</b>	<b>Vessel delivery date</b>
Precious Ponds Limited	USD 13.25 million (or approximately Baht 405.87 million)	From 15 January 2013 to 15 March 2013
Precious Comets Limited	USD 14.25 million (or approximately Baht 436.50 million)	From 15 January 2013 to 15 March 2013

As of 31 December 2012, 2 local subsidiaries have commitment according to the above Memorandum of Agreement with an overseas company to purchase second-hand vessels for USD 27.50 million or approximately Baht 842.37 million. Subsequently, on 3 January 2013, the local subsidiaries paid deposits totaling USD 2.75 million or approximately Baht 83.51 million into respective joint bank accounts.

On 22 November 2011, a local subsidiary entered into respective Purchase Agreement termed as Memorandum of Agreement with an overseas company to purchase a vessel as detailed below.

<b>Subsidiary's name</b>	<b>Vessel purchase price</b>	<b>Vessel delivery date</b>
Precious Ventures Limited	USD 19.50 million (or approximately Baht 617.98 million)	From 1 December 2011 to 31 January 2012

As of 31 December 2011, a local subsidiary had a commitment of USD 7.00 million or approximately Baht 221.84 million according to the Memorandum of Agreement with an overseas company to purchase a second-hand vessel. Subsequently, on 12 January 2012, the local subsidiary made the final balance payment and took the delivery of the vessel.

### **35. Financial instruments**

#### **35.1 Financial risk management**

The Group's financial instruments, as defined under Thai Accounting Standard No.107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade and other receivables, investments, trade and other payables and loans. The financial risks associated with these financial instruments and how they are managed is described below.

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

The Group is exposed to credit risk primarily with respect to trade accounts receivable. The Group manages the risk by adopting a credit policy whereby they evaluate the creditworthiness of charterers and other parties and restricts 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 Group does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables as stated in the statement of financial position.

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

The Group's exposure to interest rate risk relates primarily to its cash at banks and long-term loans. However, since most of the Group's 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 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)

## Consolidated financial statement

As at 31 December 2012

	Fixed				Interest rate (% p.a.)		
	interest rate with						
	maturity date	Floating	Non-interest				
	within 1 year	interest rate	bearing	Total	Fixed	Floating	
					USD	USD	Baht
<u>Financial assets</u>							
Cash and cash equivalents	1,290,546	495,481	114,988	1,901,015	0.64 - 1.25	0.10 - 0.40	0.75
Trade and other receivables	-	-	216,784	216,784	-	-	-
Total	1,290,546	495,481	331,772	2,117,799			
<u>Financial liabilities</u>							
Trade accounts payable	-	-	1,722	1,722	-	-	-
Long-term loans	-	9,066,991	-	9,066,991	-	1.51 - 3.13	6.38
Total	-	9,066,991	1,722	9,068,713			

(Unit: Thousand Baht)

## Separate financial statements

As at 31 December 2012

	Fixed	Fixed	Floating	Non-		Interest rate (% p.a.)		
	interest rate with	interest rate	Floating	Non-		Interest rate (% p.a.)		
	maturity date	with maturity	interest	interest		Interest rate (% p.a.)		
	within 1 year	date at call	rate	bearing	Total	Interest rate (% p.a.)		
						Fixed	Floating	
						USD	USD	Baht
<u>Financial assets</u>								
Cash and cash equivalents	343,023	-	302,508	745	646,276	1.25	0.10 - 0.30	0.75
Trade and other receivables	-	-	-	1,088,380	1,088,380	-	-	-
Short-term loans to a subsidiary	-	2,352,507	-	-	2,352,507	0.40	-	-
Long-term loans to jointly controlled entity	-	-	-	410,035	410,035			
Total	343,023	2,352,507	302,508	1,499,160	4,497,198			
<u>Financial liabilities</u>								
Trade accounts payable	-	-	-	6	6	-	-	-
Advances received from related parties	-	-	-	2,626,665	2,626,665	-	-	-
Long-term loans	-	-	1,195,570	-	1,195,570	-	1.51 - 1.56	-
Total	-	-	1,195,570	2,626,671	3,822,241			

(Unit: Thousand Baht)

Consolidated financial statement								
As at 31 December 2011								
	Fixed interest rate with maturity date within 1 year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)			
					Fixed		Floating	
					USD	EUR	USD	Baht
<b>Financial assets</b>								
Cash and cash equivalents	3,971,729	349,898	53,084	4,374,711	0.20 - 1.50	1.37, 2.25	0.10 - 0.50	0.75
Trade and other receivables	-	-	125,094	125,094	-	-	-	-
<b>Total</b>	<b>3,971,729</b>	<b>349,898</b>	<b>178,178</b>	<b>4,499,805</b>				
<b>Financial liabilities</b>								
Trade accounts payable	-	-	33,150	33,150	-	-	-	-
Long-term loans	-	7,026,375	-	7,026,375	-	-	1.54 - 3.31	6.50
<b>Total</b>	<b>-</b>	<b>7,026,375</b>	<b>33,150</b>	<b>7,059,525</b>				

(Unit: Thousand Baht)

Separate financial statements								
As at 31 December 2011								
	Fixed interest rate with maturity date within 1 year	Fixed interest rate with maturity date at call	Floating interest rate	Non- interest bearing	Total	Interest rate (% p.a.)		
						Fixed	Floating	
						USD	USD	Baht
<b>Financial assets</b>								
Cash and cash equivalents	2,624,935	-	92,658	1,926	2,719,519	0.20 - 1.50	0.10 - 0.50	0.75
Trade and other receivables	-	-	-	771,933	771,933	-	-	-
Short-term loans to a subsidiary	-	2,275,428	-	-	2,275,428	0.40	-	-
Long-term loans to jointly controlled entity	-	-	-	270,960	270,960	-	-	-
<b>Total</b>	<b>2,624,935</b>	<b>2,275,428</b>	<b>92,658</b>	<b>1,044,819</b>	<b>6,037,840</b>			
<b>Financial liabilities</b>								
Trade accounts payable	-	-	-	524	524	-	-	-
Advances received from related parties	-	-	-	3,430,581	3,430,581	-	-	-
Long-term loans	-	-	2,143,602	-	2,143,602	-	1.58 - 1.74	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,143,602</b>	<b>3,431,105</b>	<b>5,574,707</b>			

### Foreign currency risk

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

The Group does not use foreign currency forward contracts or purchased currency options for trading purposes.

The Group has the following significant financial assets and liabilities denominated in foreign currencies (currencies other than US Dollars which is the Group's functional currency).

Foreign currency	Financial assets as at 31 December		Financial liabilities as at 31 December		Average exchange rate as at 31 December	
	2012	2011	2012	2011	2012	2011
	(Million)	(Million)	(Million)	(Million)	(USD per 1 foreign currency unit)	
Baht loan	-	-	1,220.66	1,345.85	0.0325	0.0314
Euro fixed deposit	-	7.45	-	-	-	1.2905

Foreign currency swap contracts outstanding are summarised below.

As at 31 December 2012				
Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
		Bought	Sold	
(USD per 1 foreign currency unit)				
Baht 1,220.66 million	USD 37.29 million	0.0302, 0.0309	-	Quarterly corresponding to the loan repayment schedule upto September 2022

As at 31 December 2011				
Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
		Bought	Sold	
(USD per 1 foreign currency unit)				
Baht 1,345.85 million	USD 41.12 million	0.0302, 0.0309	-	Quarterly corresponding to the loan repayment schedule upto September 2022

As at 31 December 2011				
Bought amount	Sold amount	Contractual exchange rate		Contractual maturity date
		Bought	Sold	
		(USD per 1 foreign currency unit)		
USD 10.06 million	EUR 7.51 million	-	1.3313, 1.3503	February 2012 and March 2012 corresponding to the fixed deposit maturity dates

### 35.2 Fair values of financial instruments

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

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

### 36. Capital management

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

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

As at 31 December 2012, the Group's debt-to-equity ratio was 0.66:1 (2011: 0.49:1) and the Company's was 0.25:1 (2011: 0.47:1) which is calculated from USD functional currency financial statements.

### 37. Events after the reporting period

37.1 On 15 January 2013, the third vessel under one of the Newbuilding Contracts with ABG Shipyard Limited, India was completed and delivered to the Company's indirect subsidiary incorporated in Singapore (Precious Thoughts Pte. Limited). The contract price of the vessel with Hull No. 335 is USD 23.00 million or approximately Baht 692.28 million.

37.2 On 18 January 2013, the Company ("the Buyer") has completed the signing and the Closing of a Share Sale and Purchase Agreement with Varada Marine Pte. Limited ("the Seller") to purchase one ordinary share of jointly controlled entity, Associated Bulk Carriers Pte. Limited ("ABC Company"), at a par value of USD 1 each. On the Closing Date of 18 January 2013, the Company paid the purchase price of USD 1 per share equivalent to Baht 29.79 per share plus procured the repayment to the Seller of the outstanding shareholder loans advanced by the Seller to ABC Company from time to time of USD 13.99 million or equivalent to Baht 416.78 million. Therefore, ABC Company is now a wholly owned subsidiary of the Company since 18 January 2013 and is no longer the jointly controlled entity.

Apart from the Share Sale and Purchase Agreement, ABC Company (as Grantor) has also entered into an Option Deed with the Seller on 18 January 2013 under which, the Seller shall have the option to purchase 50% of the issued share capital of each of the existing Subsidiaries and a new Subsidiary which may be incorporated in the future of ABC Company ("Option Securities") at the Price of ABC Company's cost of Investment (including Shareholder Loans) together with interest at 7.5% per annum. Each of the Option Securities for each of the Subsidiary, may be exercised at any time during the period of 60 days commencing 30 days after the date of actual delivery of each Vessel of each of the Subsidiaries under the respective Shipbuilding Contracts.

Further, the Company has issued a Letter of Confirmation in relation to the Cement Carriers' Newbuilding program at ABG Shipyard Ltd. dated 18 January 2013 to ABG Shipyard Ltd. ("Shipbuilder") and Varada Marine Pte. Limited (as may be applicable) in order to put the following matters into effect;

- (i) to procure that ABC One Pte. Limited agrees to extend the final cancellation date under the Shipbuilding Contract dated 22 April 2010 in relation to the construction of one 20,000 DWT cement carrier with Hull No. 378 to 30 November 2013;
- (ii) for the proposed Time Charter to be entered into for a Fourth Vessel with Ultratech Cement Ltd. (the existing Charterer of the 3 New Cement Carriers being built presently), to procure that the Company or the Company's nominee, enters into a new shipbuilding contract (by way of Novation of the existing shipbuilding contract or a new shipbuilding contract) with the Shipbuilder in relation to the construction of a further 20,000 DWT cement carrier (the "Proposed New Vessel" which shall be the 4th Cement Carrier to be built) to replace the Shipbuilding Contract dated 22 April 2010 for the construction of one 20,000 DWT cement carrier with Hull No. 379 entered into by ABC Two Pte. Limited as Buyer and the Shipbuilder;

- (iii) to use commercially reasonable efforts to procure the release of the Guarantees issued by Varada Marine Pte. Limited and their companies in their group (as JV partner) in favor of the Lenders (two banks) to finance the acquisition of the 3 Vessels (Cement Carriers).

The transaction was entered in accordance with a resolution of the Executive Board of Directors' Meeting No.1/2013 held on 17 January 2013.

- 37.3 On 18 January 2013, ABC Three Pte., Limited ("ABC Three Company") has signed a Cancellation Agreement in relation to the Shipbuilding Contract dated 22 April 2010 with ABG Shipyard Ltd. ("Shipbuilder") for the construction of one 20,000 DWT cement carrier with Hull No. 380 ("Vessel") since ABC Three Company has already ordered the same Vessel with the Chinese Shipbuilder. Details of Cancellation Agreement of Shipbuilding Contract for Hull No. 380 are as follows.

Vessel Hull No.	DWT	Shipbuilding Contract Date	Contract Amount (USD)	Installments paid to the Builder by ABC Three Company (USD)
380	20,000	22 April 2010	28,500,000	5,700,000

On 18 January 2013, ABC Three Company received USD 6.71 million or equivalent to Baht 199.90 million (including interest of USD 1.01 million) against the above Cancellation Agreement.

- 37.4 On 4 February 2013, the Company's Board of Directors' meeting passed a resolution to propose to the Annual General Meeting of shareholders to be held in March 2013 to adopt a resolution to pay a dividend of Baht 0.10 per share, or a total of Baht 103.95 million, to the shareholders in respect of the Company's retained earnings as of 31 December 2012.

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

### 38. Functional currency financial statements

The USD functional currency statements of financial position as at 31 December 2012 and 2011 and income statements for the years ended 31 December 2012 and 2011 are as follows.

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity

Statements of financial position

As at 31 December 2012

	Consolidated		(Unit: Thousand USD)	
	financial statements		Separate	
	2012	2011	2012	2011
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	62,061	138,042	21,098	85,813
Current investment	-	-	-	-
Trade and other receivables	7,077	3,947	35,531	24,358
Short-term loans to a subsidiary	-	-	76,800	71,800
Current portion of advances for vessel constructions	15,768	41,882	12,796	41,882
Bunker oil	4,791	2,176	-	-
Other current assets				
Advances to vessel masters	3,366	1,997	-	-
Claim recoverables	774	591	-	-
Others	2,190	1,372	1,465	438
Total other current assets	6,330	3,960	1,465	438
<b>Total current assets</b>	<b>96,027</b>	<b>190,007</b>	<b>147,690</b>	<b>224,291</b>
<b>Non-current assets</b>				
Investments in subsidiaries	-	-	228,589	189,445
Investment in joint venture	-	-	-	-
Investment in associate held by a subsidiary	3,418	3,524	-	-
Other long-term investment	260	260	260	260
Long-term loans to jointly controlled entity	-	-	13,386	8,550
Receivables from cross currency swap contracts	2,746	1,538	-	-
Property, plant and equipment	529,276	298,049	257	213
Intangible assets	420	719	418	717
Other non-current assets				
Claim recoverables - maritime claims	1,490	1,312	-	-
Advances for vessel purchase	-	12,500	-	-
Advances for vessel constructions - net of current portion	145,580	207,373	125,976	141,608
Deferred financial fees	4,088	6,684	3,283	5,306
Others	1,169	419	78	76
Total other non-current assets	152,327	228,288	129,337	146,990
<b>Total non-current assets</b>	<b>688,447</b>	<b>532,378</b>	<b>372,247</b>	<b>346,175</b>
<b>Total assets</b>	<b>784,474</b>	<b>722,385</b>	<b>519,937</b>	<b>570,466</b>

Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity  
Statements of financial position (continued)  
As at 31 December 2012

	Consolidated		(Unit: Thousand USD)	
	financial statements		Separate	
	2012	2011	2012	2011
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Trade and other payables				
Trade accounts payable	56	1,046	-	17
Advances received from related parties	-	-	85,750	108,250
Accrued crew accounts	2,423	1,504	-	-
Accrued expenses	4,366	1,882	124	171
Current portion of accrued employee bonus	1,444	2,107	1,335	1,942
Total trade and other payables	8,289	6,539	87,209	110,380
Advances received from charterers	1,120	2,721	-	-
Current portion of long-term loans	26,181	22,673	15,732	9,055
Income tax payable	145	16	-	-
Other current liabilities				
Withholding tax payable	360	448	317	403
Others	450	648	167	306
Total other current liabilities	810	1,096	484	709
<b>Total current liabilities</b>	<b>36,545</b>	<b>33,045</b>	<b>103,425</b>	<b>120,144</b>
<b>Non-current liabilities</b>				
Accrued employee bonus - net of current portion	750	1,704	693	1,572
Long-term loans - net of current portion	269,820	199,040	23,266	58,586
Provision for maritime claims	2,210	2,040	-	-
Provision for long-term employee benefits	2,296	1,989	2,099	1,799
<b>Total non-current liabilities</b>	<b>275,076</b>	<b>204,773</b>	<b>26,058</b>	<b>61,957</b>
<b>Total liabilities</b>	<b>311,621</b>	<b>237,818</b>	<b>129,483</b>	<b>182,101</b>
<b>Shareholders' equity</b>				
Share capital				
Registered share capital	35,308	35,308	35,308	35,308
Issued and paid-up share capital	35,308	35,308	35,308	35,308
Paid-in capital				
Premium on ordinary shares	16,135	16,135	16,135	16,135
Premium on treasury stock	4,819	4,819	4,819	4,819
Retained earnings				
Appropriated				
Statutory reserve - the Company	2,802	2,802	2,802	2,802
- subsidiaries	14,285	14,285	-	-
Corporate social responsibility reserve	467	473	467	473
Unappropriated	400,142	410,813	330,923	328,828
Other components of shareholders' equity	(1,145)	(1,113)	-	-
Equity attributable to owner of the Company	472,813	483,522	390,454	388,365
Non-controlling interests of the subsidiaries	40	1,045	-	-
<b>Total shareholders' equity</b>	<b>472,853</b>	<b>484,567</b>	<b>390,454</b>	<b>388,365</b>
<b>Total liabilities and shareholders' equity</b>	<b>784,474</b>	<b>722,385</b>	<b>519,937</b>	<b>570,466</b>



Precious Shipping Public Company Limited and subsidiaries and jointly controlled entity

Income statements

For the year ended 31 December 2012

(Unit: Thousand USD)

	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Revenues</b>				
Vessel operating income				
Hire income	70,219	68,661	-	-
Freight income	42,117	31,854	-	-
Total vessel operating income	112,336	100,515	-	-
Service income	360	158	2,329	1,705
Gains on sales of equipment	9	59	9	46
Gains on novation of shipbuilding contracts	9,771	10,525	9,771	10,525
Interest income	654	848	735	786
Exchange gains	-	-	-	25
Other income	106	72	88	-
Dividend received	-	17	17,301	32,278
<b>Total revenues</b>	<b>123,236</b>	<b>112,194</b>	<b>30,233</b>	<b>45,365</b>
<b>Expenses</b>				
Vessel operating costs				
Vessel running expenses	40,510	28,550	-	-
Voyage disbursements	7,026	4,287	-	-
Bunker consumption	18,387	10,650	-	-
Total vessel operating costs	65,923	43,487	-	-
Depreciation	29,331	21,102	130	158
Cost of services	139	183	-	-
Administrative expenses	5,725	6,056	4,910	5,092
Management remuneration including perquisites	2,848	3,246	2,709	3,069
Bad debts and doubtful accounts	394	4	-	-
Exchange losses	182	174	243	-
<b>Total expenses</b>	<b>104,542</b>	<b>74,252</b>	<b>7,992</b>	<b>8,319</b>
<b>Profit before share of profit (loss) from investment in associate, finance cost and income tax expenses</b>	<b>18,694</b>	<b>37,942</b>	<b>22,241</b>	<b>37,046</b>
Share of profit (loss) from investment in associate held by a subsidiary	(74)	248	-	-
<b>Profit before finance cost and income tax expenses</b>	<b>18,620</b>	<b>38,190</b>	<b>22,241</b>	<b>37,046</b>
Finance cost	(13,947)	(14,354)	(5,014)	(10,214)
<b>Profit before income tax expenses</b>	<b>4,673</b>	<b>23,836</b>	<b>17,227</b>	<b>26,832</b>
Income tax expenses	(133)	(119)	-	-
<b>Profit for the year</b>	<b>4,540</b>	<b>23,717</b>	<b>17,227</b>	<b>26,832</b>
<b>Profit attributable to:</b>				
Equity holders of the Company	4,455	23,643	17,227	26,832
Non-controlling interests of the subsidiaries	85	74	-	-
<b>Profit for the year</b>	<b>4,540</b>	<b>23,717</b>	<b>17,227</b>	<b>26,832</b>
				(Unit: USD)
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	0.0043	0.0227	0.0166	0.0258

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

These financial statements were authorised for issue by the Company's Board of Directors on 4 February 2013.

# CONNECTED TRANSACTIONS

The following significant transactions entered into by the Company and Subsidiaries constitute transactions with related parties

## 1. Office lease agreement between the Company and Unistretch Limited

### The Relation

The Office lease agreement is between the Company and Unistretch Limited. Miss Nishita Shah and Mr. Ishaan Shah, Directors of the Company, are directly interested as Directors and Shareholders and Mr. Kirit Shah, Director of the Company, is also interested as Director of Unistretch Limited.

### The Significance of the related transaction

The Office lease agreement is necessary for operating the Company.

### The Fairness of Terms and Conditions of the Transaction

For the year 2012, the Company has rental and related expenses for other services from such transaction amounting to Baht 2.15 million (2011: Baht 1.84 million) which is 0.01% (2011: 0.01%) of Net Tangible Assets. The Company has signed a lease for the office premises with Unistretch Limited at the rate of Baht 210 per square metre per month. The Company has also signed a lease for other office premises from a third party on other floors of the same building at the same rate of Baht 210 per square metre per month.

### Policy in respect of future transactions with connected parties

The Office is essential for operating the business of the Company so the Company has to continue to enter into lease agreement for the year 2013 on similar (or more beneficial) terms as that of year 2012.

## 2. Purchase of air tickets from Ambika Tour Agency Limited and Geepee Air Service Limited

### The Relation

The Company and subsidiaries purchased air tickets from Ambika Tour Agency Limited and Geepee Air Service Limited in which Miss Nishita Shah and Mr. Ishaan Shah are directly interested as Directors and Shareholders.

### The Significance of the related transaction

Given the nature of business, apart from air tickets for foreign travel by office Executives, air tickets are also required for the crew on a regular basis to allow them to sign on/off in different ports around the world on commencement and completion of their contracts, respectively. Ambika Tour Agency Limited and Geepee Air Service Limited have been selected for this purpose in view of their competitive rates and service and also for their proximity to the Company's office since this allows much quicker and efficient service.

### The Fairness of Terms and Conditions of the Transaction

For the year 2012, the Company and subsidiaries purchased air tickets amounting to Baht 9.86 million (2011: Baht 7.73 million) which is 0.07% (2011: 0.05%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2013, the Company and subsidiaries would have similar air ticket expenses, possibly higher in value than 2012 due to the bigger Fleet of the Company. The Company regularly reviews the pricing and service standards of the various Vendors of tickets including Ambika Tour Agency Limited and Geepee Air Service Limited. If the pricing and service standards of these present Vendors are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company could change the Vendors.

### **3. Maintenance and Management services from Maestro Controls Ltd. and Maxwin Builders Ltd.**

#### **The Relation**

The Company and subsidiary paid maintenance expenses and related expenses for other services from such transaction to Maestro Controls Ltd. for the air conditioning system at the main operational offices and the condominium apartments of the Company and its subsidiary respectively and also paid apartment management expenses and related expenses for other services from such transaction to Maxwin Builders Limited for the management of the offices and apartments of the Company and its subsidiary. This is a connected transaction since Miss Nishita Shah, Director of the Company is directly interested as Director and Shareholder of Maestro Controls Ltd., Mr. Kirit Shah, Director of the Company, is also Director of Maestro Controls Ltd., and Mr. Ishaan Shah, Director of the Company, is Shareholder of Maestro Controls Ltd. Mr. Khushroo Kali Wadia and Mr. Kirit Shah, Directors of the Company, are Directors of Maxwin Builders Ltd. and Miss Nishita Shah with Mr. Ishaan Shah are Shareholders of Maxwin Builders Ltd.

#### **The Significance of the related transaction**

The maintenance of air conditioning system at the main operational offices and the condominium apartments including the management thereof is essential for operating the business of the Company and the assets of the Company's subsidiary, i.e. the residences of the Company's expatriate staff. Maestro Controls Ltd. and Maxwin Builders Ltd. have been selected for this purpose in view of their competitive rates and service.

#### **The Fairness of Terms and Condition of the Transaction**

For the year 2012, the Company and its subsidiary have paid for maintenance and management expenses for the air conditioning system and the offices and condominium apartments of the Company and its subsidiary amounting to Baht 2.25 million (2011: Baht 1.49 million) which is 0.02% (2011: 0.01%) of Net Tangible Assets.

### **Policy in respect of future transactions with connected parties**

For the year 2013, the Company would have similar expenses for the maintenance of air conditioning system and supply of air conditioners if required, from Maestro Controls Ltd. and expenses for management of the offices and condominium apartments of the Company and its subsidiary, from Maxwin Builders Ltd. The Company regularly reviews such maintenance and management contracts for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

#### **4. Insurances from InsurExcellence Insurance Brokers Group as Insurance Brokers**

##### **The Relation**

The Company and subsidiary paid insurance premiums for the cars and properties owned by the Company and subsidiary to InsurExcellence Insurance Brokers Limited and also paid life insurance premium for the Company's staff from such transaction to InsurExcellence Life Insurance Brokers Limited. This is a connected transaction since Miss Nishita Shah Mr. Ishaan Shah and Mr. Kirit Shah, Directors of the Company are related to Miss Sameera Shah who is a Director and Shareholder in InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited.

##### **The Significance of the related transaction**

The insurance of life of staff and motor vehicles and properties is part of the conduct of normal business of the Company and subsidiary and the insurances are essential for the security of the assets of the Company and Company's subsidiary. InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited have been selected for this purpose in view of their competitive rates and service after a thorough comparison of Insurance Premiums and allied services offered by other Insurance Brokers in the market.

##### **The Fairness of Terms and Conditions of the Transaction**

For the year 2012, the Company and its subsidiary have paid for various insurance premiums amounting to Baht 2.38 million (2011: Baht 2.46 million) which is 0.02% (2011: 0.02%) of Net Tangible Assets.

##### **Policy in respect of future transactions with connected parties**

For the year 2013, the Company would have similar expenses for insurance from InsurExcellence Insurance Brokers Limited and InsurExcellence Life Insurance Brokers Limited. The Company regularly reviews such insurance premiums for pricing and service standards and if the same are not competitive and/or for the benefit of the Company, the Company could change the existing service provider.

#### **5. Computer purchases from Quidlab Company Limited**

##### **The Relation**

The Company and subsidiaries purchased computer hardware, software and computer related services from Quidlab Company Limited. This is a connected transaction since Mr. Kamal Kumar Dua, Vice President - IT, as part of Management of the Company is related to Mrs. Charu Dua who is directly interested as Director and Shareholder of Quidlab Company Limited.

##### **The Significance of the related transaction**

Given the nature of business, computer hardware, software and related services are required for operating the business. Quidlab Company Limited is just one of the Vendors considered on a case by case basis for this purpose and whenever selected for a particular service or supply, is selected because of their competitive rates and services after a thorough comparison of rates and services offered by other companies in the market.

##### **The Fairness of Terms and Conditions of the Transaction**

For the year 2012, the Company and its subsidiary have paid for computer and software purchases amounting to Baht 1.29 million (2011: 1.76 million) which is 0.01% (2011: 0.01%) of Net Tangible Assets.

## **Policy in respect of future transactions with connected parties**

The computer hardware, software and computer related services are essential for operating the business of the Company and subsidiaries so in the year 2013, the Company and subsidiaries may purchase computer hardware, software and related services from Quidlab Company Limited on a case-by-case basis after a thorough evaluation and comparison with other suppliers/service providers. Further, the Company will always review the pricing and service standards of other various Vendors of computer hardware, software and related services along with that of Quidlab Company Limited. If the pricing and service standards of Quidlab Company Limited are found uncompetitive with market levels and/or if the terms and conditions are not for the benefit of the Company, the Company will not enter into any such transaction with the Vendors (Quidlab).

Directors and Executives disclose their and their relatives' shareholdings, directorships and other interests in other Companies and Firms, and report their conflict of interest if any, to the Company for the company's use in complying with the regulations pertaining to connected party transactions. Such a report disclosing all their interests is also useful in monitoring their adherence to their duties regarding conflict of interest transactions. The Internal Auditors have reviewed the above connected transactions and reported the results of their review to the Audit & Corporate Governance Committee who in turn have discussed and reviewed the transactions in their Audit & Corporate Governance Committee Meeting No. 1/2013 held on 30<sup>th</sup> January 2013 and then reported these transactions to the Board of Directors. The Board of Directors Meeting No. 1/2013 held on 4<sup>th</sup> February 2013 reviewed the transactions and based on the findings and report of the Audit & Corporate Governance Committee, the Board is of the opinion that the Company has adequate rules, regulations and policies for prevention of conflict of interest transactions and that the above interested party transactions are entered solely based on the market prices and for the full benefit of the Company. Adequate disclosures have also been made in the financial statements and the Annual Report.

# INDEX OF REPORT IN ACCORDANCE WITH FORM 56-2

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## REFERENCES

### Share Registrar

#### ▶ THAILAND SECURITIES DEPOSITORY CO., LTD.

4<sup>th</sup> and 7<sup>th</sup> Floors, No. 62, the Stock Exchange of Thailand Building,  
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Call Center : 66-2 229-2888  
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### Main Banks

#### ▶ KRUNG THAI BANK PUBLIC COMPANY LIMITED

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Bangkok, 10110  
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Website : <http://www.ktb.co.th>

#### ▶ KASIKORNBANK PUBLIC COMPANY LIMITED

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## Precious Shipping Public Company Limited

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