



**Baker Tilly Corporate Advisory Services (Thailand) Limited**

**Precious Shipping Public Company Limited**

**USD Restatement Report for Three Months Ended  
31<sup>st</sup> March 2008**

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## **NOTICE TO ALL RECIPIENTS**

### **SCOPE OF WORK**

Baker Tilly Corporate Advisory Services (Thailand) Limited (“BTCAS”) has not performed an audit examination of Precious Shipping Public Company Limited’s (“PSL” or “the Company”) accounts or of the management information, nor has BTCAS verified the underlying transactions. Therefore, BTCAS give no opinion on the financial statements. This is only a restatement of the Thai Baht audited financial statements into US dollars.

In no event shall BTCAS be liable for any loss liability, cost, damage or expense arising in any way from fraudulent acts, misrepresentation or willful default on the part of the Company, its directors, employees, or agents.

The Report has been prepared for the use of the Company, its creditors, legal and financial advisors. BTCAS does not accept any responsibility or liability to other parties.

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## **1. EXECUTIVE SUMMARY**

Precious Shipping Public Company Limited (“PSL” or “the Company”) on 3 February 2004 engaged Baker Tilly Corporate Advisory Services (Thailand) Limited<sup>1</sup> (formerly Baker Tilly FAS (Thailand) Limited) (“BTCAS”) to prepare a quarterly report on the restatement of the Thai Baht audited / reviewed consolidated financial statements into US dollars, prepared by the Company. The engagement includes a review of the Company’s mathematical calculation and the basis of US dollar restatement of both the balance sheet and income statement.

Accordingly, a summary of the basis of the restatement of the Thai Baht financial statements into US dollars is attached- see Appendix 2.

BTCAS has undertaken to report on its review of the restated US dollar consolidated financial statements for three months ended 31<sup>st</sup> March 2008. In undertaking the above, BTCAS was accorded the full assistance and co-operation of the PSL staff and management.

The restated US dollar Balance Sheet as at 31<sup>st</sup> March 2008 indicates that the total assets and liabilities of PSL were US\$ 463 million and US\$ 53 million, respectively. The equity of PSL as at 31<sup>st</sup> March 2008 was therefore US\$ 410 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for three months ended 31<sup>st</sup> March 2008 were US\$ 61 million and US\$ 27 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 1 million, equates to US\$ 33 million. The retained earnings at the end of the period stood at US\$ 329 million.

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<sup>1</sup> Baker Tilly FAS (Thailand) Limited changed its name to Baker Tilly Corporate Advisory Services (Thailand) Limited effective from 25 April 2006.

## 2. FINANCIAL STATEMENTS

**Table 1: Consolidated Balance Sheet as at 31<sup>st</sup> March 2008 – Assets**

Assets	31/3/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	922,234,408	29,377,165	1,470,244,256	43,692,771
Current investments-net	802,337,500	25,557,929	-	-
Trade accounts receivable - net	16,183,337	515,509	34,638,681	1,029,394
Bunker oil	2,332,144	74,289	5,636,525	167,506
Other current assets				
Advances to vessel masters	102,373,706	3,261,046	100,196,046	2,977,630
Claim recoverable	151,774,250	4,834,668	100,254,008	2,979,352
Others	72,202,549	2,299,964	51,927,935	1,543,196
<i>Total other current assets</i>	<i>326,350,505</i>	<i>10,395,678</i>	<i>252,377,989</i>	<i>7,500,178</i>
<i>Total current assets</i>	<i>2,069,437,894</i>	<i>65,920,570</i>	<i>1,762,897,451</i>	<i>52,389,849</i>
Non-current assets				
Investment in associate held by a subsidiary	139,071,475	3,419,307	134,282,332	3,274,722
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Fixed assets at cost				
Vessels and vessels equipment	16,261,193,994	480,077,929	16,261,193,994	480,077,929
Drydock and special survey	1,416,894,215	39,653,794	1,424,362,597	39,133,820
Office equipment	20,048,146	638,620	19,368,012	575,579
Leasehold improvement	10,974,993	349,601	12,998,873	386,301
Vehicles	20,568,282	655,189	20,568,282	611,249
Buildings and improvement	325,977,794	11,078,023	325,977,794	11,078,023
Furniture and fixtures	28,487,669	907,456	27,451,199	815,796
Work in progress	12,971,317	413,193	1,386,724	41,211
<i>Total</i>	<i>18,097,116,410</i>	<i>533,773,805</i>	<i>18,093,307,475</i>	<i>532,719,908</i>
Less: Accumulated depreciation	(8,690,370,375)	(268,558,030)	(8,567,292,354)	(264,773,191)
<i>Total Fixed assets - net</i>	<i>9,406,746,035</i>	<i>265,215,775</i>	<i>9,526,015,121</i>	<i>267,946,717</i>
Other non-current assets				
Software - net	47,481,841	1,512,503	43,495,617	1,292,604
Advances for vessel construction	3,981,725,030	117,599,982	3,239,190,687	94,799,985
Deferred financial fees	298,742,369	9,516,240	298,101,974	8,859,005
Others	4,102,601	130,686	4,024,453	119,599
<i>Total other non-current assets</i>	<i>4,332,051,841</i>	<i>128,759,411</i>	<i>3,584,812,731</i>	<i>105,071,193</i>
<i>Total non-current assets</i>	<i>13,887,999,781</i>	<i>397,654,705</i>	<i>13,255,240,614</i>	<i>376,552,844</i>
<i>Total Assets</i>	<i>15,957,437,675</i>	<i>463,575,275</i>	<i>15,018,138,065</i>	<i>428,942,693</i>

**Table 2: Consolidated Balance Sheet as at 31<sup>st</sup> March 2008 – Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/3/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	76,861,510	2,430,565	66,544,366	1,963,830
Advance received from charterers	202,157,987	6,392,772	171,470,255	5,060,358
Other current liabilities				
Dividend Payable	779,483,546	24,649,338	-	-
Accrued crew accounts	90,008,320	2,846,302	96,522,767	2,848,540
Current portion of accrued employee bonus	74,236,610	2,347,559	58,447,242	1,724,871
Accrued expenses	80,093,802	2,532,779	112,930,522	3,332,759
Provision for income tax	216,193,477	6,836,611	216,229,956	6,381,288
Withholding tax payable	4,852,622	153,453	38,021,854	1,122,085
Others	30,201,783	955,060	28,141,060	830,487
<i>Total other current liabilities</i>	<i>1,275,070,160</i>	<i>40,321,102</i>	<i>550,293,401</i>	<i>16,240,030</i>
<i>Total current liabilities</i>	<i>1,554,089,657</i>	<i>49,144,439</i>	<i>788,308,022</i>	<i>23,264,218</i>
Non-current liabilities				
Accrued employee bonus - net of current portion	70,513,708	2,229,831	95,947,000	2,831,548
Provisions for maritime claims	57,184,196	1,808,316	68,951,739	2,034,875
<i>Total non-current liabilities</i>	<i>127,697,904</i>	<i>4,038,147</i>	<i>164,898,739</i>	<i>4,866,423</i>
<i>Total Liabilities</i>	<i>1,681,787,561</i>	<i>53,182,586</i>	<i>953,206,761</i>	<i>28,130,641</i>
<b>Shareholders' Equity</b>				
Share capital - Issued and paid - up	1,039,520,600	35,308,137	1,039,520,600	35,308,137
Paid-in capital				
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	172,445,812	4,818,466	172,445,812	4,818,466
Revaluation surplus on assets of subsidiary	118,960,842	3,259,032	123,965,882	3,396,149
Translation adjustment	67,288,646	6,065,106	86,324,046	5,958,100
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	470,420,000	12,916,429	467,720,000	12,833,524
Unappropriated	11,879,655,492	328,715,950	11,646,881,980	319,192,312
<i>Total equity attributable to the Company's shareholders</i>	<i>14,263,673,197</i>	<i>410,013,947</i>	<i>14,052,240,125</i>	<i>400,437,515</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	11,976,917	378,742	12,691,179	374,537
<i>Total Shareholders' Equity</i>	<i>14,275,650,114</i>	<i>410,392,689</i>	<i>14,064,931,304</i>	<i>400,812,052</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>15,957,437,675</i>	<i>463,575,275</i>	<i>15,018,138,065</i>	<i>428,942,693</i>

**Table 3: Consolidated Income Statement for Three Months Ended  
31<sup>st</sup> March 2008 and 2007**

Consolidated Income Statement	31/3/2008		31/3/2007	
	BAHT	US\$	BAHT	US\$
<b>Revenues</b>				
Vessel operating income				
Hire income	1,915,030,667	57,815,912	1,774,072,096	49,562,285
Freight income	83,270,340	2,513,981	178,513,341	4,987,131
<i>Total vessel operating income</i>	<i>1,998,301,007</i>	<i>60,329,893</i>	<i>1,952,585,437</i>	<i>54,549,416</i>
Service income	582,624	17,590	4,982,854	139,206
Gain on sales of vessels and equipment	-	-	1,353,185,470	36,310,500
Interest income	7,810,845	235,814	19,865,582	554,985
Exchange gains	-	-	-	262,116
Others	1,908,312	57,613	62,548	1,748
<i>Total revenues</i>	<i>2,008,602,788</i>	<i>60,640,910</i>	<i>3,330,681,891</i>	<i>91,817,971</i>
<b>Expenses</b>				
Vessel operating costs				
Vessel running expenses	440,821,411	13,308,660	490,039,995	13,690,257
Voyage disbursements	23,938,393	722,714	25,875,767	722,892
Bunker consumption	10,274,407	310,191	37,172,749	1,038,496
<i>Total vessel operating costs</i>	<i>475,034,211</i>	<i>14,341,565</i>	<i>553,088,511</i>	<i>15,451,645</i>
Depreciation	268,452,068	7,474,174	472,684,308	12,710,942
Cost of services	10,816,069	326,544	7,250,700	202,563
Administrative expenses	141,257,636	4,264,651	60,041,910	1,677,391
Share of loss from investment in associate held by a subsidiary	957,490	28,907	3,073,392	85,851
Bad debt and allowance for doubtful accounts	299,194	9,033	3,626,493	101,313
Exchange losses	82,361,693	204,169	80,634,634	-
<i>Total expenses</i>	<i>979,178,361</i>	<i>26,649,043</i>	<i>1,180,399,948</i>	<i>30,229,705</i>
<i>Income before interest and financial costs and     corporate income tax</i>	<i>1,029,424,427</i>	<i>33,991,867</i>	<i>2,150,281,943</i>	<i>61,588,266</i>
Less: Financial costs	(19,888,561)	(600,448)	(13,445,666)	(375,632)
<i>Income before corporate income tax</i>	<i>1,009,535,866</i>	<i>33,391,419</i>	<i>2,136,836,277</i>	<i>61,212,634</i>
Less: Corporate income tax	(298,110)	(9,000)	-	-
<i>Net income for the period</i>	<i>1,009,237,756</i>	<i>33,382,419</i>	<i>2,136,836,277</i>	<i>61,212,634</i>
<b>Net income (loss) attributable to:</b>				
Equity holders of the parent	1,009,948,248	33,403,869	2,135,665,117	61,179,915
Minority interests of the subsidiaries	(710,492)	(21,450)	1,171,160	32,719
<i>Net income for the period</i>	<i>1,009,237,756</i>	<i>33,382,419</i>	<i>2,136,836,277</i>	<i>61,212,634</i>

**Table 3: Consolidated Income Statement for Three Months Ended  
31<sup>st</sup> March 2008 and 2007 (Continued)**

Consolidated Income Statement	31/3/2008		31/3/2007	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	1,009,948,248	33,403,869	2,135,665,117	61,179,915
Treasury stock reserve - reverse	-	-	414,918,176	10,323,444
Statutory reserve - subsidiaries	(2,700,000)	(82,905)	(3,300,000)	(92,460)
Depreciation of revaluation surplus of fixed assets	5,008,810	137,221	5,008,810	137,221
Dividend payable	(779,483,546)	(23,934,547)	-	-
Retained earnings, Beginning of the period	11,646,881,980	319,192,312	10,325,110,201	277,923,089
<i>Retained earnings, Ending of the period</i>	<i>11,879,655,492</i>	<i>328,715,950</i>	<i>12,877,402,304</i>	<i>349,471,209</i>
<b>Basic earning per share</b>				
Net income attributable to equity holders of the parent	0.97	0.03	2.07	0.06



## **APPENDICES**

- 1. BAKER TILLY CORPORATE ADVISORY SERVICES  
(THAILAND) LIMITED, (FORMERLY BAKER TILLY  
FAS (THAILAND) LIMITED) ENGAGEMENT LETTER**
- 2. POLICY OF RESTATEMENT FROM THAI BAHT TO  
US DOLLAR CURRENCY**

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## **APPENDIX 2: POLICY OF RESTATEMENT FROM THAI BAHT TO US DOLLAR CURRENCY**

In restating the Company's Thai Baht denominated financial statements into US dollars, consideration has been given to Thai GAAP. However, due to the unique nature of this restatement the provisions of Thai GAAP may not necessarily have been complied with. A significantly unique feature is that many of the assets, liabilities and transactions of the Company were originally denominated in US dollars ("US dollar") and translated into Thai Baht ("Baht") as required by the Stock Exchange of Thailand ("SET"). In these instances these assets, liabilities and transactions have been restated into US dollars at the exchange rate obtained from the Bank of Thailand ("BoT"), or estimated exchange rate, at which they were converted into Baht. This, however, was not always possible in relation to transactions recorded in the income statement, as this would require matching each transaction with the exchange rate at that date, in which case the weighted average exchange rate (as further explained below) was applied.

Based on the uniqueness of the restatement discussed above, BTCAS has sought to ensure the application of the most appropriate methods of restatement to reflect the underlying valuation and performance of the Company.

BTCAS's responsibility in this assignment is to check and certify that the US dollar Restated Financial Statements (quarterly, semi-annual and annual Thai Baht denominated financial statements prepared by the Company), are correctly based in terms of exchange rates used and formulae adopted. This includes verification of the Bank of Thailand rates on every given date. As such, the scope is limited only to a review on the accuracy of the restatement of the US dollar Restated Financial Statements based upon the existing set of Thai Baht accounts which have previously been reviewed and audited by the statutory auditors.

Accordingly, the policy regarding Company's balance sheet and income statement items can be described as follows:

### **Balance Sheet**

Most items in the Company's audited or reviewed balance sheet are converted from Baht into US dollar using the exchange rate as at the balance sheet date announced by the BoT. The Baht to US dollar buying rate is applied on the asset side while the Baht to US dollar selling rate is used on the liability side. This policy, however, is not applied to some items as BTCAS and the Company considers an alternative policy, as described below, would provide a more accurate restatement into US dollars.

- Investments originally made in US dollars and translated by the Company into Baht at the historical exchange rate as at the date of the investment are reversed and restated back into US dollars at such historical exchange rate.

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- Vessels, dry-dock and the special survey expenses that were originally purchased or incurred in US dollars and translated into Baht at the historical exchange rate as at the acquisition date are reversed and restated back into US dollars at such historical exchange rate.

Fixed assets originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht fixed assets such as building and building improvement. However, others items such as office equipment, leasehold improvement, vehicles, furniture and fixtures, and work in process, are converted in US dollars as at the balance sheet date.

Please note that any items existing in the accounts before July 1997 such as building and building improvements are converted at an exchange rate of Baht 25.5 = US\$1.00 since the floatation of Baht commenced in July 1997 as before such date the Baht to US dollar exchange rate was relatively stable at Baht 25.5 = US\$1.00.

Depreciation of assets which were originally acquired in US dollars is restated using the historical exchange rate as at the date of acquisition. However, where the assets were originally purchased in Baht, the depreciation is converted into US dollars at the balance sheet date. As mentioned, the historical exchange rates as at the acquisition date is applied for the major Baht fixed assets.

- Advance for vessel construction is mostly denominated in US dollars and are translated into Baht at the historical exchange rate as at the payment date and restated back into US dollars at such historical exchange rate.
- Accounts receivable and payable, and advance received from charterers originally denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate as at the balance sheet date.
- The nature of other current assets and liabilities is mostly very current and therefore the exchange rate as at the balance sheet date is applied.
- Other assets denominated in US dollars and translated into Baht at the exchange rate as at the balance sheet date are reversed and restated back into US dollars at such exchange rate.
- Loans from banks and interest payable are mostly denominated in US dollars and are translated into Baht at the exchange rate as at the balance sheet date. The restatement into US dollars therefore has been done at such exchange rate to reverse the translation.
- Minority interest is derived from minority shareholders' portion in the retained earnings of subsidiaries of the Company calculated at the balance sheet date and therefore the exchange rate as at the balance sheet date is applied.

- Translation adjustment primarily relates to Baht denominated assets and liabilities restated at different exchange rates to US dollars resulting in an imbalance in the balance sheet. This should not occur for assets and liabilities originally denominated in US dollars as we have sought to restate the Baht amounts to the original US dollar amounts. It should therefore be understood that the US dollar cumulative translation adjustment is not the translation of the Baht translation adjustment.
- Share capital and reserves are restated at the historical exchange rates. Any increase or decrease is restated at the corresponding average exchange rate of the month in which the transaction has occurred.

## **Income Statement**

Most items in the Company's audited or reviewed Baht denominated income statement were originally denominated in US dollars and translated into Baht at the prevailing exchange rate<sup>1</sup> at that time. In order to perfectly restate these transactions it would be necessary to match each transaction with its historical exchange rate. This is outside the scope of our review. These items have been translated using the weighted average exchange rates<sup>2</sup> for the three months ended March 31<sup>st</sup>, 2008, which should approximate (where income, expenses and exchange rates are relatively stable) the historical exchange rates of each transaction. This policy, again, is not applied to some items as Baker Tilly and the Company considers an alternative policy, as described below, would provide more accurate restatement in US dollars.

- Depreciation of assets originally acquired in US dollars is similar to the depreciation item in the balance sheet. This item is not directly translated using the weighted monthly average exchange rate but the historical acquisition exchange rates. As mentioned in the balance sheet section, the historical exchange rates are also applied to major Baht fixed assets. However, the other items such as vehicles, furniture and fixtures and office equipment are restated at the weighted monthly average exchange rate.
- Gains / losses on disposal of fixed assets are converted at the actual Baht to US dollar exchange rate as at the date of asset disposal for both US dollar and Baht sales.
- The exchange gain (loss) in the US dollar income statement arises from Baht denominated monetary assets and liabilities, minor fixed assets and current assets and liabilities which in US dollar terms have changed in value from the previous period. Due to the complexity in obtaining detailed figures for each item, it is then assumed that the total amount of these Baht denominated monetary assets and liabilities remain unchanged from the previous period and thus the gain (loss) in US dollar restated income statement is derived by

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<sup>1</sup> The foreign exchange rate used is the monthly average rate of the previous month, obtained from the Bank of Thailand, e.g. average Baht to US dollar rate of April is applied as the basis for the month of May.

<sup>2</sup> The weighted average rate is the monthly average rate, obtained from BoT, weighted by the number of operating days of the Company's vessels for each month

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comparing the US dollar amount of those items in the current period with that of the previous period.

- Dividend paid denominated in Baht is restated at the historical exchange rates in which the dividend payment occurred.
- Retained earnings at the beginning of the year are restated into US dollars at the actual historical exchange rate for the periods in which retained earnings were recorded.