



**BAKER TILLY CORPORATE ADVISORY  
SERVICES (THAILAND) LIMITED,  
(formerly Baker Tilly FAS (Thailand) Limited)**

**Precious Shipping Public Company Limited**

**USD Restatement Report for Three Months  
Ended 31<sup>st</sup> March 2006**

**BAKER TILLY CORPORATE ADVISORY SERVICES (THAILAND) LIMITED**  
LEVEL 21/1 SATHORN CITY TOWER 175 SOUTH SATHORN ROAD  
THUNGMAHAMEK SATHORN BANGKOK 10120 THAILAND  
TELEPHONE 02 679 5400 FACSIMILE 02 679 5401

## **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 THB audited financial statements into USD.

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 (formerly Baker Tilly FAS (Thailand) Limited) (“BTCAS”) to prepare a quarterly report on the restatement of the THB audited / reviewed consolidated financial statements into USD, prepared by the Company. The engagement includes a review of the Company’s mathematical calculation and the basis of USD restatement of both the balance sheet and income statement.

Accordingly, BTCAS attach a summary of the basis of the restatement of the THB financial statements into USD as Appendix 2.

BTCAS has undertaken to report on its review of the restated USD consolidated financial statements for the three-month period ended 31<sup>st</sup> March 2006. In undertaking the above, BTCAS were accorded the full assistance and co-operation of the PSL staff and management.

The restated USD Balance Sheet as at 31<sup>st</sup> March 2006 indicates that the total assets and liabilities of PSL were USD 369 million and USD 64 million, respectively. The equity of PSL as at 31<sup>st</sup> March 2006 was therefore USD 305 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance cost, for the three months ended 31<sup>st</sup> March 2006 were USD 54 million and USD 34 million, respectively. Net income, after including such items as interest and finance cost totaling USD 2 million, equals USD 18 million. The retained earnings at the end of the period stood at USD 251 million.

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\* Note: Baker TillyFAS (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 2006 – Assets**

Assets	31/3/2006		31/12/2005	
	THB	USD	THB	USD
Current assets				
Cash and cash equivalents	528,672,006	13,644,240	738,622,662	18,022,836
Trade accounts receivable - net	190,106,850	4,906,376	176,402,542	4,304,328
Bunker oil	102,170,182	2,636,861	63,433,373	1,547,812
Other current assets	230,465,382	5,947,970	188,480,739	4,599,043
<i>Total current assets</i>	<i>1,051,414,420</i>	<i>27,135,447</i>	<i>1,166,939,316</i>	<i>28,474,019</i>
Non-current assets				
Investments accounted for under equity method	109,196,359	2,574,308	113,305,776	2,677,078
Fixed assets at cost				
Vessels and Vessels Equipment	18,075,281,129	552,480,091	18,075,281,129	552,480,091
Drydock and special survey	1,429,811,364	35,380,883	1,330,055,394	32,816,634
Office equipment	18,205,128	469,847	15,472,539	377,539
Leasehold improvement	12,904,553	333,047	2,773,880	67,684
Vehicles	17,691,807	456,599	17,691,807	431,691
Buildings and improvement	181,693,446	7,125,233	181,693,446	7,125,233
Furniture and fixtures	24,081,969	621,520	17,614,732	429,810
Work in progress	32,714,519	844,313	47,799,578	1,166,338
<i>Total</i>	<i>19,792,383,915</i>	<i>597,711,533</i>	<i>19,688,382,505</i>	<i>594,895,020</i>
Less: Accumulated depreciation	(7,650,616,401)	(258,662,565)	(7,191,634,837)	(246,152,441)
<i>Total Fixed assets - net</i>	<i>12,141,767,514</i>	<i>339,048,968</i>	<i>12,496,747,668</i>	<i>348,742,579</i>
Other non-current assets	3,615,540	93,312	3,615,540	88,221
<i>Total non-current assets</i>	<i>12,254,579,413</i>	<i>341,716,588</i>	<i>12,613,668,984</i>	<i>351,507,878</i>
<i>Total Assets</i>	<i>13,305,993,833</i>	<i>368,852,035</i>	<i>13,780,608,300</i>	<i>379,981,897</i>

**Table 2 : Consolidated Balance Sheet as at 31<sup>st</sup> March 2006 – Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/3/2006		31/12/2005	
	THB	USD	THB	USD
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	334,996,142	8,602,504	117,581,885	2,855,690
Advance received from charterers	143,777,008	3,692,109	125,615,195	3,050,793
Other current liabilities	285,602,600	7,334,108	297,738,452	7,231,119
<i>Total current liabilities</i>	<i>764,375,750</i>	<i>19,628,721</i>	<i>540,935,532</i>	<i>13,137,602</i>
Non-current liabilities				
Long - term liabilities - net	1,719,564,146	44,157,398	3,293,967,999	80,000,000
<i>Total non-current liabilities</i>	<i>1,719,564,146</i>	<i>44,157,398</i>	<i>3,293,967,999</i>	<i>80,000,000</i>
<i>Total Liabilities</i>	<i>2,483,939,896</i>	<i>63,786,119</i>	<i>3,834,903,531</i>	<i>93,137,602</i>
<b>Shareholders' Equity</b>				
Share capital - issued and paid - up	520,000,000	20,392,157	520,000,000	20,392,157
Translation adjustment	145,736,939	4,792,702	161,698,471	4,902,595
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Statutory reserve - the Company	52,000,000	1,304,730	52,000,000	1,304,730
Statutory reserve - subsidiaries	405,320,000	11,053,857	399,010,000	10,893,517
Treasury stock reserve	450,880,716	11,218,216	450,880,716	11,218,216
Retained Earnings	9,278,886,891	251,165,063	8,395,681,752	233,073,873
<i>Total equity attributable to the Company's shareholders</i>	<i>11,264,254,291</i>	<i>316,061,225</i>	<i>10,390,700,684</i>	<i>297,919,588</i>
Less: Treasury stock	(450,880,716)	(11,218,216)	(450,880,716)	(11,218,216)
<i>Equity attributable to the Company's shareholders - net</i>	<i>10,813,373,575</i>	<i>304,843,009</i>	<i>9,939,819,968</i>	<i>286,701,372</i>
Minority interest - equity attributable to minority	8,680,362	222,907	5,884,801	142,923
<i>Total Shareholders' Equity</i>	<i>10,822,053,937</i>	<i>305,065,916</i>	<i>9,945,704,769</i>	<i>286,844,295</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>13,305,993,833</i>	<i>368,852,035</i>	<i>13,780,608,300</i>	<i>379,981,897</i>

**Table 3: Consolidated Income Statement for Three Months Ended 31<sup>st</sup> March 2006**

Consolidated Income Statement	3 Months to 31/3/2006		3 Months to 31/3/2005	
	THB	USD	THB	USD
<b>Revenues</b>				
Vessel operating income	2,151,508,285	53,786,900	2,788,222,155	71,903,463
Service income	4,431,609	110,789	5,725,534	147,652
Exchange gains	124,146,169	92,917	5,455,565	-
Interest income	5,271,295	131,780	5,359,908	138,223
Other income	2,790,703	69,767	18,365	474
<i>Total revenues</i>	<i>2,288,148,061</i>	<i>54,192,153</i>	<i>2,804,781,527</i>	<i>72,189,812</i>
<b>Expenses</b>				
Vessel running expenses	540,993,829	13,524,643	458,851,176	11,832,984
Voyage disbursements	92,028,210	2,300,671	10,983,480	283,245
Bunker consumption	119,955,749	2,998,849	1,670,616	43,082
<i>Total vessel operating costs</i>	<i>752,977,788</i>	<i>18,824,163</i>	<i>471,505,272</i>	<i>12,159,311</i>
Cost of services	6,446,528	161,161	5,883,533	151,726
Administrative expenses	54,406,635	1,360,145	69,718,702	1,797,926
Bad debt and allowance for doubtful accounts	494,701	12,367	3,542,273	91,358
Allowance for loss on current investments (Reversal)	-	-	(96,888,737)	(2,562,011)
Share of loss from investments accounted for equity method	4,109,417	102,769	3,941,225	101,643
Depreciation	514,211,255	13,830,378	433,752,323	11,973,977
Exchange loss	-	-	-	1,594
<i>Total expenses</i>	<i>1,332,646,324</i>	<i>34,290,983</i>	<i>891,454,591</i>	<i>23,715,524</i>
<i>Earnings before interest and financial costs</i>	<i>955,501,737</i>	<i>19,901,170</i>	<i>1,913,326,936</i>	<i>48,474,288</i>
Less: Interest and financial costs	(63,191,038)	(1,579,752)	(87,720,620)	(2,262,164)
<i>Earnings before minority interest</i>	<i>892,310,699</i>	<i>18,321,418</i>	<i>1,825,606,316</i>	<i>46,212,124</i>
Less: Net earnings of minority interest	(2,795,560)	(69,888)	(2,153,730)	(55,541)
<i>Net earnings</i>	<i>889,515,139</i>	<i>18,251,530</i>	<i>1,823,452,586</i>	<i>46,156,583</i>
Statutory reserve - subsidiaries	(6,310,000)	(160,340)	(47,600,000)	(1,238,235)
Retained earnings, Beginning of the period	8,395,681,752	233,073,873	3,869,642,209	119,879,699
<i>Retained earnings, Ending of the period</i>	<i>9,278,886,891</i>	<i>251,165,063</i>	<i>5,645,494,795</i>	<i>164,798,047</i>
<b>Earnings per share</b>	<b>1.76</b>	<b>0.04</b>	<b>3.60</b>	<b>0.09</b>

## **APPENDICES**

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



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## **APPENDIX 2 : POLICY OF RESTATEMENT FROM THB TO USD CURRENCY**

In restating the financial statements, 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 significant unique feature is that many of the assets, liabilities and transactions of PSL were originally denominated in USD and translated into THB as required by the SET. In these instances these assets, liabilities and transactions have been restated into USD at the exchange rate, or estimated exchange rate, at which they were converted into THB. This, however, was not always possible in relation to the 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 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.

Please note that BTCAS's responsibility is limited only to check and certify the restatement of the financial statements in USD based on the quarterly / semi-annual / annual financial statements in Thai Baht currency (THB) already reviewed / audited by statutory auditors. As such, the scope is limited only to a review on the accuracy of the restatement of the financial statements based upon the existing set of accounts maintained in THB.

Accordingly, the policies of the restatement of the items in the Company's balance sheet and income statement can be described as follows: -

### **- Balance Sheet**

Most items in PSL's audited / reviewed balance sheet are converted from THB into USD using the exchange rate as at the balance sheet date. THB / USD's buying rate is applied on the asset side while the selling rate is used on the liability side. This policy, however, is not applied to some items as BTCAS considers an alternative policy, as described below, would provide more accurate restatement into USD.

- Investments originally made in USD were translated by PSL into THB at the historical exchange rate as at the date of the investment. Therefore, in restating in USD the historical exchange rate has been used to reverse the translation.
- Vessels (including the barge and its equipment), drydock and the special survey were originally purchased in USD currency and translated into THB at the historical exchange rate as at the acquisition date. Therefore in restating to USD the historical exchange rate has been used to reverse the translation.

Where fixed assets were originally purchased in THB the assets are converted by PSL at the exchange rate as at the balance sheet date. This, compared with the translation of USD fixed assets, is not consistent and therefore BTCAS have applied the historical exchange rates to major THB fixed assets, i.e. buildings and berth equipment.

Depreciation of assets which were originally acquired in USD is restated using the historical exchange rate at the date of acquisition. However, where the assets were originally purchased in THB, the depreciation is converted by PSL at the exchange rate as at the balance sheet date. Again, the policy on USD and THB asset depreciation is not consistent and therefore BTCAS has applied the historical exchange rates to major THB fixed assets, i.e. buildings and berth equipment.

- Bunker oil, accounts receivable and payable, and advance received from charterers were originally denominated in USD and are translated into THB at the exchange rate at the balance sheet date. The restatement into USD therefore is based on the 31<sup>st</sup> March 2006 exchange rate to reverse the translation.
- 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, excluding unamortised drydock and special survey, are denominated in USD and are translated into THB at the exchange rate as at the balance sheet date. The restatement into USD therefore has been done at the 31<sup>st</sup> March 2006 exchange rate to reverse the translation.
- Loans from banks, bonds and interest payable are mostly denominated in USD and are translated into THB at the exchange rate as at the balance sheet date. The restatement into USD therefore has been done at the 31<sup>st</sup> March 2006 exchange rate to reverse the translation. THB loans and debentures are also converted at the exchange rate as at the balance sheet date.
- Minority interest is derived from minority shareholders' portion in the retained earnings of subsidiaries of PSL calculated at the balance sheet date and therefore the exchange rate as at the balance sheet date is applied.
- Translation adjustment primarily relates to THB denominated assets and liabilities restated at different exchange rates to USD resulting in an imbalance in the balance sheet. This should not occur for assets and liabilities originally denominated in USD as we have sought to restate the THB amounts to the original USD amounts. It should therefore be understood that the USD cumulative translation adjustment is not the translation of the THB translation adjustment.
- Share capital and reserves are restated at the historical exchange rates in which movements occurred.

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## - **Income Statement**

Most items in the Company's audited / reviewed income statement were originally denominated in USD and translated into THB 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 for three months ended 31<sup>st</sup> March 2006, which should approximate (where income, expenses and exchange rates are relatively stable) the historical exchange rates of each transaction. However should the THB / USD exchange rate change significantly in the future, the policy may be amended to better illustrate PSL's performance in USD terms. This policy, again, is not applied to some items as we consider an alternative policy, as described below, would provide more accurate restatement in USD.

- Depreciation of assets originally acquired in USD is similar to the depreciation item in the balance sheet. This item is not directly translated using the weighted monthly average rate but the historical acquisition exchange rates. As mentioned earlier in the balance sheet section, the policy on USD and THB asset depreciation is not consistent and therefore the historical exchange rates are applied to major THB fixed assets, i.e. buildings and berth equipment.
- Gains / losses on disposal of fixed assets are converted at the actual THB / USD exchange rate as at the date of asset disposal for both USD and THB sales.
- The exchange gain (loss) in the USD Income Statement arises from THB denominated monetary assets and liabilities, minor fixed assets and current assets and liabilities which in USD terms have changed in value since 31<sup>st</sup> December 2005. Due to the complexity in obtaining detailed figures for each item it is assumed that these items are fixed for the whole financial statement period, i.e. since January 2006.
- Gain on swap termination is restated at the actual THB / USD exchange rate as at the date of swap termination.
- Dividend paid is restated at the historical exchange rates in which movements occurred.
- Retained earnings at the beginning of the year are restated into USD at the actual historical exchange rate for the periods in which retained earnings were recorded. However, as mentioned earlier, the historical rate applied to buildings and berth equipment affects their net value, which subsequently affects the retained earnings in the past.

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<sup>1</sup> The foreign exchange rate used is the monthly average rate obtained from the Bank of Thailand one month afterwards, e.g. average THB / USD rate of April is applied as the basis for the month of May figure.

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Please note that any items existing in the accounts before June 1997 are converted at THB / USD rate of 25.5 since the devaluation of THB commenced in June 1997 as before the devaluation the THB / USD exchange rate was relatively stable at THB 25.5 / USD 1.