



**BAKER TILLY FAS (THAILAND) LIMITED**

**Precious Shipping Public Company Limited**

**USD Restatement Report for Six Months  
Ended 30<sup>th</sup> June 2005**

**BAKER TILLY FAS (THAILAND) COMPANY 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 FAS (Thailand) Limited (“BTF”) 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 BTF verified the underlying transactions. Therefore, BTF give no opinion on the financial statements. This is only a restatement of the THB audited financial statements into USD.

In no event shall BTF be liable for any loss liability, cost, damage or expense arising in any way from fraudulent acts, misrepresentation or wilful 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. BTF does not accept any responsibility or liability to other parties.

## **Table of Contents**

<b>1.</b>	<b>Executive Summary</b>	<b>1</b>
<b>2.</b>	<b>Financial Statements</b>	<b>2</b>

## **Appendices**

<b>1.</b>	<b>Baker Tilly FAS (Thailand)'s Engagement Letter</b>
<b>2.</b>	<b>Policy of Restatement from THB to USD Currency</b>

## **Tables**

<b>Table 1</b>	<b>Consolidated Balance Sheet as at 30<sup>th</sup> June 2005 – Assets</b>	<b>2</b>
<b>Table 2</b>	<b>Consolidated Balance Sheet as at 30<sup>th</sup> June 2005 – Liabilities and Shareholders' Equity</b>	<b>3</b>
<b>Table 3</b>	<b>Consolidated Income Statement for Six Months Ended 30<sup>th</sup> June 2005</b>	<b>4</b>

## **1. EXECUTIVE SUMMARY**

Precious Shipping Public Company Limited (“PSL” or “the Company”) on 3 February 2004 engaged Baker Tilly FAS (Thailand) Limited (“BTF”) 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, BTF attach a summary of the basis of the restatement of the THB financial statements into USD as Appendix 2.

BTF has undertaken to report on its review of the restated USD consolidated financial statements for the six-month period ended 30<sup>th</sup> June 2005. In undertaking the above, BTF were accorded the full assistance and co-operation of the PSL staff and management.

The restated USD Balance Sheet as at 30<sup>th</sup> June 2005 indicates that the total assets and liabilities of PSL were USD 382 million and USD 140 million, respectively. The equity of PSL as at 30<sup>th</sup> June 2005 was therefore USD 242 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance cost, for the six months ended 30<sup>th</sup> June 2005 were USD 144 million and USD 50 million, respectively. Net income, after including such items as interest and finance cost totalling USD 4 million, equals USD 90 million. The retained earnings at the end of the period stood at USD 188 million.

## 2. FINANCIAL STATEMENTS

**Table 1: Consolidated Balance Sheet as at 30<sup>th</sup> June 2005– Assets**

Assets	31/3/2005		30/6/2005	
	THB	USD	THB	USD
Current assets				
Cash and cash equivalents	2,228,647,706	57,049,000	2,165,804,214	52,539,371
Trade accounts receivable - net	80,441,427	2,059,142	105,648,961	2,562,896
Bunker oil	11,675,416	298,868	14,154,987	343,380
Receivable from sale of current investment	27,740,883	710,112	-	-
Other current assets	158,848,295	4,066,204	185,350,352	4,496,339
<i>Total current assets</i>	<i>2,507,353,727</i>	<i>64,183,326</i>	<i>2,470,958,514</i>	<i>59,941,986</i>
Non-current assets				
Investments accounted for under equity method	91,103,875	2,117,321	97,011,473	2,268,712
Fixed assets at cost				
Vessels and Vessels Equipment	16,062,556,514	503,228,639	16,062,556,514	503,228,639
Drydock and special survey	754,275,941	18,311,914	956,642,968	23,676,768
Office equipment	13,952,291	357,151	14,775,327	358,429
Leasehold improvement	2,773,880	71,006	2,773,880	67,290
Vehicles	17,099,967	437,726	17,099,967	414,821
Buildings and improvement	181,693,446	7,125,233	181,693,446	7,125,233
Furniture and fixtures	18,104,221	463,432	18,089,110	438,817
Work in progress	38,478,138	984,965	45,249,087	1,097,679
<i>Total</i>	<i>17,088,934,398</i>	<i>530,980,066</i>	<i>17,298,880,299</i>	<i>536,407,676</i>
Less: Accumulated depreciation	(5,925,896,335)	(211,070,035)	(6,300,942,914)	(221,689,871)
<i>Total Fixed assets - net</i>	<i>11,163,038,063</i>	<i>319,910,031</i>	<i>10,997,937,385</i>	<i>314,717,805</i>
Prepayment for vessel purchases	-	-	196,893,180	4,950,000
Other non-current assets	3,617,040	92,589	3,617,040	87,744
<i>Total non-current assets</i>	<i>11,257,758,978</i>	<i>322,119,941</i>	<i>11,295,459,078</i>	<i>322,024,261</i>
<i>Total Assets</i>	<i>13,765,112,705</i>	<i>386,303,267</i>	<i>13,766,417,592</i>	<i>381,966,247</i>

**Table 2 : Consolidated Balance Sheet as at 30<sup>th</sup> June 2005– Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/3/2005		30/6/2005	
	THB	USD	THB	USD
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	77,950,805	1,985,790	181,286,903	4,377,948
Current portion of long - term loans	123,590,163	3,148,449	9,947,887	240,234
Advance received from charterers	224,426,402	5,717,244	198,477,510	4,793,089
Other current liabilities	193,691,071	4,934,264	190,085,608	4,590,430
<i>Total current liabilities</i>	<i>619,658,441</i>	<i>15,785,747</i>	<i>579,797,908</i>	<i>14,001,701</i>
Non-current liabilities				
Long - term liabilities- net	6,027,150,619	153,541,157	5,236,154,698	126,449,373
<i>Total non-current liabilities</i>	<i>6,027,150,619</i>	<i>153,541,157</i>	<i>5,236,154,698</i>	<i>126,449,373</i>
<i>Total Liabilities</i>	<i>6,646,809,060</i>	<i>169,326,904</i>	<i>5,815,952,606</i>	<i>140,451,074</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	131,005,854	4,441,775	165,640,533	4,899,517
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	339,700,000	9,429,454	366,300,000	10,098,192
Treasury stock reserve	450,880,716	11,218,216	450,880,716	11,218,216
Retained Earnings	5,645,494,795	164,798,047	6,414,057,846	188,178,052
<i>Total equity attributable to shareholders</i>	<i>7,550,511,110</i>	<i>227,718,879</i>	<i>8,380,308,840</i>	<i>252,225,364</i>
Less: Treasury stock	(450,880,716)	(11,218,216)	(450,880,716)	(11,218,216)
<i>Equity attributable to shareholders - net</i>	<i>7,099,630,394</i>	<i>216,500,663</i>	<i>7,929,428,124</i>	<i>241,007,148</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	18,673,251	475,700	21,036,862	508,025
<i>Total Shareholders' Equity</i>	<i>7,118,303,645</i>	<i>216,976,363</i>	<i>7,950,464,986</i>	<i>241,515,173</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>13,765,112,705</i>	<i>386,303,267</i>	<i>13,766,417,592</i>	<i>381,966,247</i>

**Table 3: Consolidated Income Statement for Six Months Ended 30<sup>th</sup> June 2005**

Consolidated Income Statement	3 Months to 31/3/05		3 Months to 30/6/05		6 Months to 30/6/05	
	THB	USD	THB	USD	THB	USD
<b>Revenues</b>						
Vessel operating income	2,788,222,155	71,903,463	2,798,729,626	71,266,720	5,586,951,781	143,170,183
Service income	5,725,534	147,652	4,447,902	113,262	10,173,436	260,914
Interest income	5,359,908	138,223	16,134,354	410,844	21,494,262	549,067
Share of profit (loss) from investments accounted for under equity method	(3,941,225)	(101,643)	5,907,598	151,391	1,966,373	49,748
Other income	18,365	474	606,007	15,431	624,372	15,905
<i>Total revenues</i>	<i>2,795,384,737</i>	<i>72,088,169</i>	<i>2,825,825,487</i>	<i>71,957,648</i>	<i>5,621,210,224</i>	<i>144,045,817</i>
<b>Expenses</b>						
Vessel running expenses	458,851,176	11,832,984	471,805,571	12,014,035	930,656,747	23,847,019
Voyage disbursements	10,983,480	283,245	10,889,971	277,302	21,873,451	560,547
Bunker consumption	1,670,616	43,082	20,131,427	512,626	21,802,043	555,708
<i>Total vessel operating costs</i>	<i>471,505,272</i>	<i>12,159,311</i>	<i>502,826,969</i>	<i>12,803,963</i>	<i>974,332,241</i>	<i>24,963,274</i>
Cost of services	5,883,533	151,726	3,454,362	87,962	9,337,895	239,688
Administrative expenses	69,718,702	1,797,926	43,550,828	1,108,976	113,269,530	2,906,902
Allowance for doubtful accounts (Reversal)	3,542,273	91,358	(2,780,485)	(57,234)	761,788	34,124
Reversal of allowance for loss on current investments	(96,888,737)	(2,562,011)	(49,235,229)	(1,363,200)	(146,123,966)	(3,925,211)
Loss on sales of current investments	-	-	24,184,706	773,338	24,184,706	773,338
Exchange losses (gains)	(5,455,565)	1,594	191,874,753	121,021	186,419,188	122,615
Depreciation	433,752,323	11,973,977	449,813,342	12,462,413	883,565,665	24,436,390
<i>Total expenses</i>	<i>882,057,801</i>	<i>23,613,881</i>	<i>1,163,689,246</i>	<i>25,937,239</i>	<i>2,045,747,047</i>	<i>49,551,120</i>
<i>Earnings before interest and financial costs</i>	<i>1,913,326,936</i>	<i>48,474,288</i>	<i>1,662,136,241</i>	<i>46,020,409</i>	<i>3,575,463,177</i>	<i>94,494,697</i>

Consolidated Income Statement	3 Months to 31/3/05		3 Months to 30/6/05		6 Months to 30/6/05	
	THB	USD	THB	USD	THB	USD
<i>Earnings before interest and financial costs</i>	1,913,326,936	48,474,288	1,662,136,241	46,020,409	3,575,463,177	94,494,697
Less: Interest and financial costs	(87,720,620)	(2,262,164)	(80,080,955)	(2,039,178)	(167,801,575)	(4,301,342)
<i>Earnings before minority interest</i>	1,825,606,316	46,212,124	1,582,055,286	43,981,231	3,407,661,602	90,193,355
Less: Net earnings of minority interest	(2,153,730)	(55,541)	(2,363,610)	(60,187)	(4,517,340)	(115,728)
<i>Net earnings</i>	1,823,452,586	46,156,583	1,579,691,676	43,921,044	3,403,144,262	90,077,627
Statutory reserve - subsidiaries	(47,600,000)	(1,238,235)	(26,600,000)	(668,738)	(74,200,000)	(1,906,973)
Dividend paid	-	-	(784,528,625)	(19,872,301)	(784,528,625)	(19,872,301)
Retained earnings, Beginning of the period	3,869,642,209	119,879,699	5,645,494,795	164,798,047	3,869,642,209	119,879,699
<i>Retained earnings, Ending of the period</i>	5,645,494,795	164,798,047	6,414,057,846	188,178,052	6,414,057,846	188,178,052
Earnings per share	3.60	0.09	3.12	0.09	6.72	0.18



## **APPENDICES**

- 1. BAKER TILLY FAS (THAILAND)'S 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, BTF 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 BTF'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 BTF 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 BTF 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 BTF 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 30<sup>th</sup> June 2005 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 30<sup>th</sup> June 2005 exchange rate to reverse the translation.
- Goodwill is the excess of the investment in Great Circle Shipping Agency Limited, one of PSL's subsidiaries, over its book value at the amount denominated in THB. Similar to fixed assets originally made in THB the restatement into USD is applied at the historical rate.
- 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 30<sup>th</sup> June 2005 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.

- **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 30<sup>th</sup> June 2005, 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

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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, eg average THB / USD rate of April is applied as the basis for the month of May figure.

assets and liabilities which in USD terms have changed in value since 31<sup>st</sup> March 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 April 2005.

- 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.

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.