



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

**Precious Shipping Public Company Limited**

**USD Restatement Report for the Year Ended  
31<sup>st</sup> December 2010**

## **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 the year ended 31<sup>st</sup> December 2010. 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> December 2010 indicates that the total assets and liabilities of PSL were US\$ 665 million and US\$ 176 million, respectively. The equity of PSL as at 31<sup>st</sup> December 2010 was therefore US\$ 489 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the year ended 31<sup>st</sup> December 2010 were US\$ 107 million and US\$ 60 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 12 million, equates to US\$ 35 million. The retained earnings at the end of the year stood at US\$ 405 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.

## FINANCIAL STATEMENTS

**Table 1: Consolidated Balance Sheet as at 31<sup>st</sup> December 2010 – Assets**

Assets	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
<b>Current assets</b>				
Cash and cash equivalents	4,210,310,366	140,314,213	5,876,282,201	176,886,164
Current investment - net	-	-	-	-
Trade accounts receivable - net	33,855,480	1,128,279	42,078,391	1,266,632
Bunker oil	5,688,873	189,589	-	-
Other current assets				
Advances to vessel masters	42,573,234	1,418,810	54,093,717	1,628,314
Claim recoverables	8,265,020	275,443	35,304,785	1,062,734
Others	36,014,929	1,200,245	35,959,713	1,082,449
<i>Total other current assets</i>	<i>86,853,183</i>	<i>2,894,498</i>	<i>125,358,215</i>	<i>3,773,497</i>
<b>Total current assets</b>	<b>4,336,707,902</b>	<b>144,526,579</b>	<b>6,043,718,807</b>	<b>181,926,293</b>
<b>Non-current assets</b>				
Investment in associate held by a subsidiary	163,110,453	4,122,503	143,219,374	3,508,740
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Receivables from cross currency swap contracts - net	109,419,261	4,080,908	-	-
Property, plant and equipment at cost				
Vessels and vessels equipment	11,571,308,485	342,158,618	12,225,818,775	357,873,703
Drydock and special survey	602,670,810	18,155,978	740,517,966	21,758,957
Office equipment	24,593,484	819,611	27,958,925	841,612
Leasehold improvement	13,661,808	455,298	13,661,808	411,244
Vehicles	20,074,282	669,002	20,074,283	604,270
Buildings and improvement	446,776,142	14,719,758	446,527,928	14,710,024
Furniture and fixtures	28,423,683	947,257	28,153,256	847,461
<i>Total</i>	<i>12,707,508,694</i>	<i>377,925,522</i>	<i>13,502,712,941</i>	<i>397,047,271</i>
Less: Accumulated depreciation	(5,189,430,935)	(161,333,510)	(5,721,790,473)	(175,835,167)
<b>Property, plant and equipment - net</b>	<b>7,518,077,759</b>	<b>216,592,012</b>	<b>7,780,922,468</b>	<b>221,212,104</b>
Other non-current assets				
Intangible asset - net	37,109,623	1,236,728	46,911,635	1,412,121
Advances for vessel constructions	9,517,340,798	283,509,892	7,809,282,007	227,557,748
Deferred financial fees - net	376,807,655	10,913,109	291,253,234	8,274,534
Advance for share acquisition in associate held by a subsidiary	-	-	11,538,699	329,882
Others	2,921,834	97,374	3,152,306	94,890
<i>Total other non-current assets</i>	<i>9,934,179,910</i>	<i>295,757,103</i>	<i>8,162,137,881</i>	<i>237,669,175</i>
<b>Total non-current assets</b>	<b>17,734,917,813</b>	<b>520,812,738</b>	<b>16,096,410,153</b>	<b>462,650,231</b>
<b>Total Assets</b>	<b>22,071,625,715</b>	<b>665,339,317</b>	<b>22,140,128,960</b>	<b>644,576,524</b>

**Table 2: Consolidated Balance Sheet as at 31<sup>st</sup> December 2010 – Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	11,099,641	366,370	44,727,575	1,334,482
Advances received from vessel sales	-	-	29,158,895	869,979
Advances received from charterers	47,682,723	1,573,879	79,029,033	2,357,893
Current portion of long-term loans	147,610,132	4,888,546	14,863,823	444,299
Other current liabilities				
Accrued crew accounts	41,290,184	1,362,879	49,382,671	1,473,371
Current portion of accrued employee bonus	137,113,895	4,525,764	165,690,296	4,943,500
Accrued expenses	32,390,928	1,069,138	45,489,571	1,357,217
Provision for income tax	3,934,172	129,857	24,631,203	734,891
Withholding tax payable	4,023,118	132,792	31,427,877	937,675
Others	17,540,232	578,956	19,347,683	577,253
<i>Total other current liabilities</i>	<i>236,292,529</i>	<i>7,799,386</i>	<i>335,969,301</i>	<i>10,023,907</i>
<i>Total current liabilities</i>	<i>442,685,025</i>	<i>14,628,181</i>	<i>503,748,627</i>	<i>15,030,560</i>
Non-current liabilities				
Accrued employee bonus - net of current portion	76,645,113	2,529,851	173,011,023	5,161,920
Provisions for maritime claims	20,768,114	685,500	42,050,177	1,254,600
Payables from cross currency swap contracts - net	-	-	8,124,620	47,140
Long-term loans - net of current portion	4,782,042,586	158,079,479	4,276,834,978	127,637,514
<i>Total non-current liabilities</i>	<i>4,879,455,813</i>	<i>161,294,830</i>	<i>4,500,020,798</i>	<i>134,101,174</i>
<i>Total Liabilities</i>	<i>5,322,140,838</i>	<i>175,923,011</i>	<i>5,003,769,425</i>	<i>149,131,734</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 - net	147,287,957	4,262,010	203,452,059	5,897,294
Translation adjustments	(25,251,684)	4,999,246	(22,850,674)	6,210,819
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	518,120,000	14,310,471	513,220,000	14,161,363
Corporate social responsibility reserve	14,335,865	429,567	37,782,784	1,086,170
Unappropriated	14,333,075,039	405,216,536	14,652,874,052	408,299,750
<i>Total equity attributable to the Company's shareholders</i>	<i>16,714,915,394</i>	<i>488,275,260</i>	<i>17,111,826,438</i>	<i>494,712,826</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	34,569,483	1,141,046	24,533,097	731,964
<i>Total Shareholders' Equity</i>	<i>16,749,484,877</i>	<i>489,416,306</i>	<i>17,136,359,535</i>	<i>495,444,790</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>22,071,625,715</i>	<i>665,339,317</i>	<i>22,140,128,960</i>	<i>644,576,524</i>

**Table 3: Consolidated Income Statement for the Years Ended 31<sup>st</sup> December  
2010 and 2009**

Consolidated Income Statement	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
<b>Revenues</b>				
Vessel operating income				
Hire income	2,810,420,920	87,738,501	5,109,100,239	147,706,630
Freight income	142,682,920	4,670,800	414,544,962	11,868,455
<i>Total vessel operating income</i>	<i>2,953,103,840</i>	<i>92,409,301</i>	<i>5,523,645,201</i>	<i>159,575,085</i>
Service income	10,379,268	322,946	16,753,312	481,383
Gains on sales of vessels and equipment	390,280,114	13,370,144	760,279,523	22,869,959
Interest income	25,978,190	817,811	38,065,092	1,106,201
Exchange gains	-	194,281	43,626,627	162,198
Other income	426,247	12,923	26,508,055	759,405
<i>Total revenues</i>	<i>3,380,167,659</i>	<i>107,127,406</i>	<i>6,408,877,810</i>	<i>184,954,231</i>
<b>Expenses</b>				
Vessel operating costs				
Vessel running expenses	847,171,526	26,481,699	1,500,155,882	43,366,133
Voyage disbursements	20,905,339	649,165	106,262,509	3,054,433
Bunker consumption	5,173,942	160,665	105,422,379	3,018,393
<i>Total vessel operating costs</i>	<i>873,250,807</i>	<i>27,291,529</i>	<i>1,711,840,770</i>	<i>49,438,959</i>
Depreciation	796,564,123	23,085,738	934,609,148	26,656,269
Cost of services	4,818,692	150,795	9,614,509	280,042
Administrative expenses	195,347,791	6,097,439	255,345,894	7,448,023
Management remuneration including perquisites	104,135,693	3,249,704	138,106,205	4,028,476
Bad debts and doubtful accounts	15,288,747	466,255	9,698,521	276,703
Exchange losses	112,243,482	-	-	-
<i>Total expenses</i>	<i>2,101,649,335</i>	<i>60,341,460</i>	<i>3,059,215,047</i>	<i>88,128,472</i>
<i>Income before share of income from investment in associate, finance cost and corporate income tax</i>	<i>1,278,518,324</i>	<i>46,785,946</i>	<i>3,349,662,763</i>	<i>96,825,759</i>
Share of income from investment in associate held by a subsidiary	19,520,139	604,039	22,317,306	643,322
<i>Income before finance cost and corporate income tax</i>	<i>1,298,038,463</i>	<i>47,389,985</i>	<i>3,371,980,069</i>	<i>97,469,081</i>
Less: Finance cost	(301,394,253)	(9,394,227)	(265,811,637)	(7,690,832)
<i>Income before corporate income tax</i>	<i>996,644,210</i>	<i>37,995,758</i>	<i>3,106,168,432</i>	<i>89,778,249</i>
Less: Corporate income tax	(81,922,286)	(2,518,792)	(45,536,596)	(1,296,688)
<i>Net income for the year</i>	<i>914,721,924</i>	<i>35,476,966</i>	<i>3,060,631,836</i>	<i>88,481,561</i>
<b>Net income attributable to:</b>				
Equity holders of the parent	904,685,426	35,163,498	3,047,056,978	88,086,604
Minority interests of the subsidiaries	10,036,498	313,468	13,574,858	394,957
<i>Net income for the year</i>	<i>914,721,924</i>	<i>35,476,966</i>	<i>3,060,631,836</i>	<i>88,481,561</i>

**Table 3: Consolidated Income Statement for the Years Ended 31<sup>st</sup> December  
2010 and 2009 (Continued)**

Consolidated Income Statement	31/12/2010		31/12/2009	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	904,685,426	35,163,498	3,047,056,978	88,086,604
Statutory reserve - subsidiaries	(4,900,000)	(149,107)	(17,200,000)	(487,633)
Corporate social responsibility reserve - net	23,446,919	656,603	(13,089,823)	(381,426)
Amortisation of revaluation surplus on assets of subsidiary	56,164,214	1,635,287	20,313,505	556,506
Dividend paid	(1,299,195,572)	(40,389,495)	(2,078,740,136)	(60,361,023)
Retained earnings, Beginning of the year	14,652,874,052	408,299,750	13,694,533,528	380,886,722
<i>Retained earnings, Ending of the year</i>	<i>14,333,075,039</i>	<i>405,216,536</i>	<i>14,652,874,052</i>	<i>408,299,750</i>
<b>Basic earning per share</b>				
Net income attributable to equity holders of the parent	0.87	0.0338	2.93	0.0800



## **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.

Property, building and equipment originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht 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.

- Advances for vessel constructions is mostly denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate. *However*, this is not applied to
  - Advances for vessel constructions of its foreign subsidiary companies included in the Company's consolidated balance sheet which were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the balance sheet date. These transactions are then restated back into US dollars at the corresponding average exchange rate of the balance sheet date, and
  - Interest payment for vessel construction loan in US dollars and the respective withholding tax which are translated into Baht at the selling rate of the date before the transaction date and restated back into US dollars at such exchange rate.
- Accounts receivable and payable, and advances 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.

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- 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.
  - Deferred financial fees were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate. *However*, this is not applied to
    - Deferred financial fees of its foreign subsidiary company included in the Company's consolidated balance sheet which were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the balance sheet date. These transactions are then restated back into US dollars at the corresponding average exchange rate of the balance sheet date, and
    - Financial fee payment in US dollars and the respective withholding tax which is translated into Baht at the selling rate of the date before the transaction date and restated back into US dollars at such exchange rate.
  - Advance for share acquisition in associate held by a subsidiary were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was 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 legal reserves are restated at the historical exchange rates. Any increase or decrease is restated at such corresponding average exchange rate of the previous month. However corporate social responsibility reserve is restated at the corresponding average exchange rate of the previous month in which the transaction has occurred.

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## 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-month periods ended 31<sup>st</sup> December 2010, 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 BTCAS 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 sales of vessels and equipment can be categorized into the following groups;
  1. Gains / losses on sales of vessels is converted at the corresponding average exchange rate of the previous month in which the asset had disposed.
  2. Gains / losses on sales of other assets (such as equipment etc.) is translated using the corresponding weighted average exchange rates for the three-month periods in which the transaction had occurred in such period.
- 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 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 corresponding average exchange rates of the previous month in which the transaction occurred.

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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

- 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.