



FERRIER HODGSON

FINANCIAL RESTRUCTURING & CORPORATE RECOVERY

Precious Shipping Public Company Limited

**USD Restatement Report for Three Months
Ended 31st March 2001**

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NOTICE TO ALL RECIPIENTS

SCOPE OF WORK

Ferrier Hodgson Limited (“FH”) 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 FH verified the underlying transactions. Therefore FH give no opinion on the financial statements. This is only a restatement of the THB audited financial statements into USD.

In no event shall FH 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 and legal and financial advisors. FH 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 20 July 2000 engaged Ferrier Hodgson Limited (“FH”) 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 on behalf of the lenders who are party to the Inter-Creditor Deed.

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

FH has undertaken to report on its review of the restated USD consolidated financial statements for the three-month period ended 31st March 2001. In undertaking the above FH were accorded the full assistance and co-operation of the PSL staff and management.

The restated USD Balance Sheet as at 31st March 2001 indicates that the total assets and liabilities of PSL were USD 228 million and USD 139 million, respectively. The equity of PSL as at 31st March 2001 was therefore USD 89 million.

In relation to the income statement PSL’s total revenues and expenses for the three months ended 31st March 2001 were USD 26.3 million and USD 24.4 million, respectively. Net income, after including the extraordinary item incurred from the gain on redemption of Redeemable Convertible Debentures totalling USD 1.3 million, equals USD 3.3 million. The retained earnings at the end of the period stood at USD 5.2 million.



2. FINANCIAL STATEMENTS

Table 1: Consolidated Balance Sheet as at 31st March 2001 – Assets

ASSETS	31/12/00		31/3/01	
	THB	USD	THB	USD
Current assets				
Cash on hand & at banks	257,488,093	5,974,812	195,249,542	4,375,575
Accounts receivable – trade - net	104,719,389	2,429,932	201,563,559	4,517,073
Bunker oil	87,000,852	2,018,787	72,284,081	1,619,898
Other current assets	313,329,849	7,270,577	222,485,726	4,985,943
<i>Total current assets</i>	<i>762,538,183</i>	<i>17,694,108</i>	<i>691,582,908</i>	<i>15,498,489</i>
Investment in associated companies	168,984,612	4,079,575	174,089,452	4,083,571
Fixed assets at cost				
Vessels & Vessels Equipment	8,274,657,642	318,329,127	8,274,657,642	318,329,127
Office equipment	25,420,159	743,844	25,672,239	736,945
Barge & equipment	51,741,078	2,029,062	51,741,078	2,029,062
Leasehold improvement	4,001,710	92,857	2,528,880	56,673
Vehicles	34,262,643	1,130,411	34,223,843	1,118,967
Buildings & improvement	204,778,066	8,030,512	204,778,066	8,030,512
Furniture & fixtures	21,020,325	487,760	21,120,325	473,310
Plant equipment	141,239,942	5,538,821	141,239,942	5,538,821
<i>Total</i>	<i>8,757,121,565</i>	<i>336,382,394</i>	<i>8,755,962,015</i>	<i>336,313,417</i>
Less: Accumulated depreciation	(3,278,354,310)	(128,689,133)	(3,418,708,536)	(134,119,155)
<i>Total Fixed assets - net</i>	<i>5,478,767,255</i>	<i>207,693,261</i>	<i>5,337,253,479</i>	<i>202,194,262</i>
Other assets				
Unamortised drydock & special survey	257,337,647	6,532,721	228,234,414	5,434,733
Other assets – net	13,554,718	314,527	13,414,760	300,627
<i>Total other assets</i>	<i>270,892,365</i>	<i>6,847,248</i>	<i>241,649,174</i>	<i>5,735,360</i>
Goodwill	10,171,160	398,869	10,001,640	392,221
<i>Total assets</i>	<i>6,691,353,575</i>	<i>236,713,061</i>	<i>6,454,576,653</i>	<i>227,903,903</i>



Table 2: Consolidated Balance Sheet as at 31st March 2001 – Liabilities & Equity

LIABILITIES & EQUITY	31/12/00		31/3/01	
	THB	USD	THB	USD
Liabilities				
Current liabilities				
Payable to a related company	19,517,499	449,302	13,338,175	296,915
Account payables	211,901,727	4,878,077	158,891,228	3,537,008
Current portion of long-term loan	817,346,028	18,815,690	778,611,474	17,332,327
Freight / hire received in advance	98,150,161	2,259,463	90,787,038	2,020,970
Interest payable	5,923,655	136,365	4,908,436	109,265
Other current liabilities	216,335,087	4,980,135	248,562,630	5,533,143
<i>Total current liabilities</i>	<i>1,369,174,157</i>	<i>31,519,032</i>	<i>1,295,098,981</i>	<i>28,829,628</i>
Redeemable convertible debentures	624,619,707	14,379,039	770,254,057	17,146,287
Long-term liabilities – net	4,332,353,111	99,732,804	4,186,062,140	93,184,087
<i>Total liabilities</i>	<i>6,326,146,975</i>	<i>145,630,875</i>	<i>6,251,415,178</i>	<i>139,160,002</i>
Minority interest	61,286,675	1,410,848	54,788,548	1,219,624
Shareholders' Equity				
Share capital – issued and paid-up	520,000,000	20,392,157	520,000,000	20,392,157
Cumulative translation adjustment	140,638,773	4,853,372	140,916,397	4,549,406
Share premium	926,054,829	36,315,876	926,054,829	36,315,876
Unrealised gain on redeemable convertible debenture	874,347,672	20,127,894	673,791,794	14,998,983
Reserve fund	60,500,000	2,372,549	60,500,000	2,372,549
Legal reserve - subsidiary companies	77,465,999	2,856,051	77,465,999	2,856,051
General reserve	24,181,905	800,153	24,181,905	800,153
Retained Earnings	(2,319,269,253)	1,953,286	(2,274,537,997)	5,239,102
<i>Total Shareholders' Equity</i>	<i>365,206,600</i>	<i>91,082,186</i>	<i>203,161,475</i>	<i>88,743,901</i>
<i>Total Liabilities & Shareholders' Equity</i>	<i>6,691,353,575</i>	<i>236,713,061</i>	<i>6,454,576,653</i>	<i>227,903,903</i>



Table 3: Consolidated Income Statement for Three Months Ended 31st March 2001

Consolidated Income Statement	First Quarter		3 Months to 31/3/01	
	THB	USD	THB	USD
Revenues				
Vessel operating income	1,030,890,111	24,027,999	1,030,890,111	24,027,999
Service income	7,944,299	185,166	7,944,299	185,166
Gain on exchange rate	-	1,957,584	-	1,957,584
Interest income	2,840,507	66,207	2,840,507	66,207
Other income	1,174,363	27,372	1,174,363	27,372
<i>Total revenues</i>	<i>1,042,849,280</i>	<i>26,264,328</i>	<i>1,042,849,280</i>	<i>26,264,328</i>
Costs and Expenses				
Vessel operating costs	595,175,595	13,979,217	595,175,595	13,979,217
Cost for service	15,890,181	370,369	15,890,181	370,369
Administrative expenses	40,807,655	951,145	40,807,655	951,145
Doubtful accounts	57,300,064	1,335,550	57,300,064	1,335,550
Unrealised loss/(gain) on short-term investment	(3,433)	(80)	(3,433)	(80)
Exchange loss	111,007,644	-	111,007,644	-
Depreciation	142,384,463	5,513,574	142,384,463	5,513,574
Loss on sale of fixed assets	90,471	2,109	90,471	2,109
Interest and finance cost	96,967,017	2,260,108	96,967,017	2,260,108
<i>Total costs and expenses</i>	<i>1,059,619,657</i>	<i>24,411,992</i>	<i>1,059,619,657</i>	<i>24,411,992</i>
<i>Income before income tax and minority interest</i>	<i>(16,770,377)</i>	<i>1,852,336</i>	<i>(16,770,377)</i>	<i>1,852,336</i>
Less: Income tax	(311,169)	(7,253)	(311,169)	(7,253)
<i>Income before minority interest after tax</i>	<i>(17,081,546)</i>	<i>1,845,083</i>	<i>(17,081,546)</i>	<i>1,845,083</i>
Less: Minority interest in subsidiary companies	6,222,084	145,024	6,222,084	145,024
<i>Net income before extraordinary items</i>	<i>(10,859,462)</i>	<i>1,990,107</i>	<i>(10,859,462)</i>	<i>1,990,107</i>
Gain on redemption of RCDs	55,095,382	1,284,164	55,095,382	1,284,164
<i>Net income</i>	<i>44,235,920</i>	<i>3,274,271</i>	<i>44,235,920</i>	<i>3,274,271</i>
Depreciation of revaluation surplus of fixed asset	495,335	11,545	495,335	11,545
Retained earnings, Beginning of the year	-	-	(2,319,269,252)	1,953,286
<i>Retained earnings, Ending of the year</i>	<i>44,731,255</i>	<i>3,285,816</i>	<i>(2,274,537,997)</i>	<i>5,239,102</i>
Earnings per share	0.85	0.06	0.85	0.06

APPENDICES

- 1. FERRIER HODGSON'S ENGAGEMENT LETTER**
- 2. POLICY OF RESTATEMENT FROM THB TO USD CURRENCY**

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, FH 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 FH'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 FH 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) and unamortised 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 FH have applied the historical exchange rates to major THB fixed asset, i.e. buildings, plant, and 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 FH has applied the historical exchange rates to major THB fixed assets, i.e. buildings, plant, and equipment.
- Bunker oil, accounts receivable and payable, and freight hire received in advance are originally denominated in USD and are translated into THB at the exchange rate at the balance sheet date. The restatement into USD therefore has used the 31st March 2001 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 the 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 used the 31st March 2001 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 applies 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 used the 31st March 2001 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.

- Cumulative translation adjustment primarily relates to THB denominated assets and liabilities restated at different exchange rate 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, reserves and retained earnings 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 rate¹ 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 rate for three months ended 31st March 2001, 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, plant, and equipment.
- Gains / losses on sales 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 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 December 2000. 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 2001.

¹ 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.



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- Gain on swap termination is restated at the actual THB / USD exchange rate as at the date of swap termination.
 - 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, plant, and 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.