



**BAKER TILLY FAS (THAILAND) LIMITED**

**Precious Shipping Public Company Limited**

**USD Restatement Report for Twelve Months  
Ended 31<sup>st</sup> December 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 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. 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 31<sup>st</sup> December 2005 – Assets</b>	<b>2</b>
<b>Table 2</b>	<b>Consolidated Balance Sheet as at 31<sup>st</sup> December 2005 – Liabilities and Shareholders' Equity</b>	<b>3</b>
<b>Table 3</b>	<b>Consolidated Income Statement for Twelve Months Ended 31<sup>st</sup> December 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 twelve-month period ended 31<sup>st</sup> December 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 31<sup>st</sup> December 2005 indicates that the total assets and liabilities of PSL were USD 380 million and USD 93 million, respectively. The equity of PSL as at 31<sup>st</sup> December 2005 was therefore USD 287 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance cost, for the twelve months ended 31<sup>st</sup> December 2005 were USD 277 million and USD 113 million, respectively. Net income, after including such items as interest and finance cost totalling USD 10 million, equals USD 154 million. The retained earnings at the end of the period stood at USD 233 million.

## 2. FINANCIAL STATEMENTS

**Table 1: Consolidated Balance Sheet as at 31<sup>st</sup> December 2005– Assets**

Assets	31/12/2005		31/12/2004	
	THB	USD	THB	USD
Current assets				
Cash and cash equivalents	738,622,662	18,022,836	1,525,115,985	39,090,804
Trade accounts receivable - net	176,402,542	4,304,328	31,469,215	806,599
Bunker oil	63,433,373	1,547,812	6,520,222	167,122
Other current assets	188,480,739	4,599,043	196,422,282	5,034,571
<i>Total current assets</i>	<i>1,166,939,316</i>	<i>28,474,019</i>	<i>1,759,527,704</i>	<i>45,099,096</i>
Non-current assets				
Investments accounted for under equity method	113,305,776	2,677,078	95,045,100	2,218,964
Fixed assets at cost				
Vessels and Vessels Equipment	18,075,281,129	552,480,091	16,062,556,514	503,228,639
Drydock and special survey	1,330,055,394	32,816,634	695,911,617	16,956,048
Office equipment	15,472,539	377,539	13,900,001	356,276
Leasehold improvement	2,773,880	67,684	2,981,433	76,418
Vehicles	17,691,807	431,691	17,099,967	438,295
Buildings and improvement	181,693,446	7,125,233	181,693,446	7,125,233
Furniture and fixtures	17,614,732	429,810	18,401,014	471,643
Work in progress	47,799,578	1,166,338	25,870,859	663,105
<i>Total</i>	<i>19,688,382,505</i>	<i>594,895,020</i>	<i>17,018,414,851</i>	<i>529,315,657</i>
Less: Accumulated depreciation	(7,191,634,837)	(246,152,441)	(5,500,825,357)	(199,317,330)
<i>Total Fixed assets - net</i>	<i>12,496,747,668</i>	<i>348,742,579</i>	<i>11,517,589,494</i>	<i>329,998,327</i>
Other non-current assets	3,615,540	88,221	3,617,040	92,710
<i>Total non-current assets</i>	<i>12,613,668,984</i>	<i>351,507,878</i>	<i>11,616,251,634</i>	<i>332,310,001</i>
<i>Total Assets</i>	<i>13,780,608,300</i>	<i>379,981,897</i>	<i>13,375,779,338</i>	<i>377,409,097</i>

**Table 2 : Consolidated Balance Sheet as at 31<sup>st</sup> December 2005– Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/12/2005		31/12/2004	
	THB	USD	THB	USD
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	117,581,885	2,855,690	94,408,016	2,408,214
Current portion of long - term loans	-	-	1,127,542,415	28,762,003
Advance received from charterers	125,615,195	3,050,793	206,666,758	5,271,775
Other current liabilities	297,738,452	7,231,119	221,021,381	5,637,941
<i>Total current liabilities</i>	<i>540,935,532</i>	<i>13,137,602</i>	<i>1,649,638,570</i>	<i>42,079,933</i>
Non-current liabilities				
Long - term liabilities - net	3,293,967,999	80,000,000	6,433,629,623	164,112,738
<i>Total non-current liabilities</i>	<i>3,293,967,999</i>	<i>80,000,000</i>	<i>6,433,629,623</i>	<i>164,112,738</i>
<i>Total Liabilities</i>	<i>3,834,903,531</i>	<i>93,137,602</i>	<i>8,083,268,193</i>	<i>206,192,671</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	161,698,471	4,902,595	130,819,670	4,892,732
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	399,010,000	10,893,517	292,100,000	8,191,219
Treasury stock reserve	450,880,716	11,218,216	450,880,716	11,218,216
Retained Earnings	8,395,681,752	233,073,873	3,869,642,209	119,879,699
<i>Total equity attributable to the Company's shareholders - net</i>	<i>10,390,700,684</i>	<i>297,919,588</i>	<i>5,726,872,340</i>	<i>182,013,253</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>9,939,819,968</i>	<i>286,701,372</i>	<i>5,275,991,624</i>	<i>170,795,037</i>
Minority interest - equity attributable to minority	5,884,801	142,923	16,519,521	421,389
<i>Total Shareholders' Equity</i>	<i>9,945,704,769</i>	<i>286,844,295</i>	<i>5,292,511,145</i>	<i>171,216,426</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>13,780,608,300</i>	<i>379,981,897</i>	<i>13,375,779,338</i>	<i>377,409,097</i>

**Table 3: Consolidated Income Statement for Twelve Months Ended 31<sup>st</sup> December 2005**

Consolidated Income Statement	12 Months to 31/12/2005		Fourth Quarter 2005		12 Months to 31/12/2004	
	THB	USD	THB	USD	THB	USD
<b>Revenues</b>						
Vessel operating income	11,006,816,578	274,996,143	2,679,803,996	65,390,419	8,540,256,075	211,217,118
Service income	24,014,938	597,935	9,157,433	223,451	18,934,195	467,983
Gain on sale of investment in subsidiaries	-	-	-	-	33,526,580	842,398
Exchange gains	-	-	-	-	56,139,449	26,469
Interest income	36,390,460	911,952	11,030,852	269,166	13,598,921	333,041
Share of profit from investments accounted for under equity method	18,260,676	458,114	7,520,162	187,695	7,344,569	181,314
Bad debt recovery	-	-	-	-	55,963,180	1,406,145
Other income	5,262,965	128,796	2,731,538	66,652	2,354,406	58,096
<b>Total revenues</b>	<b>11,090,745,617</b>	<b>277,092,940</b>	<b>2,710,243,981</b>	<b>66,137,383</b>	<b>8,728,117,375</b>	<b>214,532,564</b>
<b>Expenses</b>						
Vessel running expenses	1,984,275,808	49,476,404	536,950,303	13,102,229	1,612,521,328	39,878,230
Voyage disbursements	153,510,628	3,762,004	63,024,661	1,537,877	128,413,341	3,186,301
Bunker consumption	151,165,533	3,702,762	67,694,627	1,651,830	103,357,219	2,570,716
<i>Total vessel operating costs</i>	<i>2,288,951,969</i>	<i>56,941,170</i>	<i>667,669,591</i>	<i>16,291,936</i>	<i>1,844,291,888</i>	<i>45,635,247</i>
Cost of services	23,188,287	576,397	5,751,465	140,342	15,082,144	374,545
Administrative expenses	267,733,503	6,661,471	60,794,527	1,483,459	247,033,734	6,163,600
Bad debt and allowance for doubtful accounts	17,183,476	415,892	2,215,564	40,134	5,522,540	138,102
Allowance for loss on current investments (Reversal)	(146,123,966)	(3,925,211)	-	-	1,859,699	40,951
Loss on sales of current investments	24,184,706	773,338	-	-	-	-
Loss on impairment of goodwill	-	-	-	-	8,136,920	319,095
Exchange losses (gains)	161,686,785	130,344	296,738	(1,008)	-	-
Depreciation	1,874,594,367	51,284,550	504,416,986	13,609,698	1,383,295,082	39,983,245
<b>Total expenses</b>	<b>4,511,399,127</b>	<b>112,857,951</b>	<b>1,241,144,871</b>	<b>31,564,561</b>	<b>3,505,222,007</b>	<b>92,654,785</b>
<b>Earnings before interest and financial costs</b>	<b>6,579,346,490</b>	<b>164,234,989</b>	<b>1,469,099,110</b>	<b>34,572,822</b>	<b>5,222,895,368</b>	<b>121,877,779</b>

Consolidated Income Statement	12 Months to 31/12/2005		Fourth Quarter 2005		12 Months to 31/12/2004	
	THB	USD	THB	USD	THB	USD
<i>Earnings before interest and financial costs</i>	6,579,346,490	164,234,989	1,469,099,110	34,572,822	5,222,895,368	121,877,779
Less: Interest and financial costs	(392,158,580)	(9,753,629)	(80,711,845)	(1,969,465)	(464,540,218)	(11,565,428)
<i>Earnings before minority interest</i>	6,187,187,910	154,481,360	1,388,387,265	32,603,357	4,758,355,150	110,312,351
Less: Net earnings of minority interest	(10,581,192)	(263,135)	(2,465,828)	(60,169)	(8,583,895)	(211,210)
<i>Net earnings</i>	6,176,606,718	154,218,225	1,385,921,437	32,543,188	4,749,771,255	110,101,141
Statutory reserve - subsidiaries	(106,910,000)	(2,702,298)	(8,010,000)	(195,029)	(122,105,000)	(3,003,229)
Treasury stock reserve	-	-	-	-	(450,880,716)	(11,218,216)
General reserve for sale of investment in subsidiaries	-	-	-	-	24,181,905	800,154
Dividend paid	(1,543,657,175)	(38,321,753)	-	-	(894,962,900)	(22,081,636)
Retained earnings, Beginning of the period	3,869,642,209	119,879,699	7,017,770,315	200,725,714	563,637,665	45,281,485
<i>Retained earnings, Ending of the period</i>	8,395,681,752	233,073,873	8,395,681,752	233,073,873	3,869,642,209	119,879,699
Earnings per share	12.19	0.30	2.74	0.06	9.26	0.21



## **APPENDICES**

- 1. BAKER TILLY FAS (THAILAND)'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, 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 31<sup>st</sup> December 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 31<sup>st</sup> December 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 31<sup>st</sup> December 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 31<sup>st</sup> December 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

---

<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 30<sup>th</sup> September 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 October 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.