



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

**Precious Shipping Public Company Limited**  
**USD Restatement Report for the Year Ended**  
**31<sup>st</sup> December 2007**

**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 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.

## **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 Corporate Advisory Services (Thailand) Limited (formerly Baker Tilly FAS (Thailand) Limited) Engagement Letter</b>	
<b>2.</b>	<b>Policy of Restatement from Thai Baht to US Dollar Currency</b>	

## **Tables**

<b>Table 1</b>	<b>Consolidated Balance Sheet as at 31<sup>st</sup> December 2007 – Assets</b>	<b>2</b>
<b>Table 2</b>	<b>Consolidated Balance Sheet as at 31<sup>st</sup> December 2007 – Liabilities and Shareholders' Equity</b>	<b>3</b>
<b>Table 3</b>	<b>Consolidated Income Statements for the Year Ended 31<sup>st</sup> December 2007 and 2006</b>	<b>4</b>

## 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 2007. 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 2007 indicates that the total assets and liabilities of PSL were US\$429 million and US\$28 million, respectively. The equity of PSL as at 31<sup>st</sup> December 2007 was therefore US\$401 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 2007 were US\$258 million and US\$123 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$10 million, equates to US\$125 million. The retained earnings at the end of the year stood at US\$319 million.

---

<sup>1</sup> Baker Tilly FAS (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> December 2007 – Assets**

Assets	31/12/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	1,470,244,256	43,692,771	1,258,574,577	35,003,673
Trade accounts receivable - net	34,638,681	1,029,394	101,106,910	2,812,001
Bunker oil	5,636,525	167,506	43,614,009	1,213,000
Other current assets				
Advances to vessel masters	100,196,046	2,977,630	111,251,224	3,094,136
Claim recoverable	100,254,008	2,979,352	26,347,145	732,771
Others	51,927,935	1,543,196	62,071,930	1,726,354
<i>Total other current assets</i>	<i>252,377,989</i>	<i>7,500,178</i>	<i>199,670,299</i>	<i>5,553,261</i>
<i>Total current assets</i>	<i>1,762,897,451</i>	<i>52,389,849</i>	<i>1,602,965,795</i>	<i>44,581,935</i>
Non-current assets				
Investment in associate held by a subsidiary	134,282,332	3,274,722	119,767,616	2,855,228
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Fixed assets at cost				
Vessels and vessels equipment	16,261,193,994	480,077,929	18,092,031,980	552,939,745
Drydock and special survey	1,424,362,597	39,133,820	1,488,085,459	37,545,546
Office equipment	20,414,413	606,676	18,837,972	523,925
Leasehold improvement	12,998,873	386,301	12,998,873	361,527
Vehicles	20,568,282	611,249	17,907,807	498,055
Buildings and improvement	325,977,794	11,078,023	325,977,795	11,078,023
Furniture and fixtures	27,451,199	815,796	24,648,932	685,540
Work in progress	44,609,707	1,325,713	37,599,722	1,045,729
<i>Total</i>	<i>18,137,576,859</i>	<i>534,035,507</i>	<i>20,018,088,540</i>	<i>604,678,090</i>
Less: Accumulated depreciation	(8,568,066,121)	(264,796,186)	(8,994,236,845)	(295,496,902)
<i>Total Fixed assets - net</i>	<i>9,569,510,738</i>	<i>269,239,321</i>	<i>11,023,851,695</i>	<i>309,181,188</i>
Other non-current assets				
Advances for vessel construction	3,239,190,687	94,799,985	-	-
Deferred financial fees	298,101,974	8,859,005	-	-
Others	4,024,453	119,599	1,429,706	39,763
<i>Total other non-current assets</i>	<i>3,541,317,114</i>	<i>103,778,589</i>	<i>1,429,706</i>	<i>39,763</i>
<i>Total non-current assets</i>	<i>13,255,240,614</i>	<i>376,552,844</i>	<i>11,155,179,447</i>	<i>312,336,391</i>
<i>Total Assets</i>	<i>15,018,138,065</i>	<i>428,942,693</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

**Table 2: Consolidated Balance Sheet as at 31<sup>st</sup> December 2007 – Liabilities and Shareholders' Equity**

Liabilities and Shareholders' Equity	31/12/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
<b>Liabilities</b>				
Current liabilities				
Trade accounts payable	66,544,366	1,963,830	82,603,363	2,279,921
Advance received from vessel sales	-	-	160,060,832	4,385,000
Advance received from charterers	171,470,255	5,060,358	176,407,290	4,868,987
Other current liabilities				
Accrued crew accounts	96,522,767	2,848,540	100,470,812	2,773,077
Accrued employee bonus	58,447,242	1,724,871	46,058,392	1,271,250
Accrued expenses	112,930,522	3,332,759	72,783,209	2,008,877
Provision for income tax	216,229,956	6,381,288	-	-
Withholding tax payable	38,021,854	1,122,085	47,038,249	1,298,294
Others	28,141,060	830,487	35,016,461	966,483
<i>Total other current liabilities</i>	<i>550,293,401</i>	<i>16,240,030</i>	<i>301,367,123</i>	<i>8,317,981</i>
<i>Total current liabilities</i>	<i>788,308,022</i>	<i>23,264,218</i>	<i>720,438,608</i>	<i>19,851,889</i>
Non-current liabilities				
Accrued employee bonus	95,947,000	2,831,548	-	-
Provisions for maritime claims	68,951,739	2,034,875	-	-
<i>Total non-current liabilities</i>	<i>164,898,739</i>	<i>4,866,423</i>	<i>-</i>	<i>-</i>
<i>Total Liabilities</i>	<i>953,206,761</i>	<i>28,130,641</i>	<i>720,438,608</i>	<i>19,851,889</i>
<b>Shareholders' Equity</b>				
Share capital - Issued and paid - up	1,039,520,600	35,308,137	520,000,000	20,392,157
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	21,114,984	578,463
Revaluation surplus on assets of subsidiary	123,965,882	3,396,149	144,278,576	3,952,632
Translation adjustment	86,324,046	5,958,100	126,689,683	4,864,116
Statutory reserve - the Company	103,952,060	2,796,327	52,000,000	1,304,730
Statutory reserve - subsidiaries	467,720,000	12,833,524	424,620,000	11,572,749
Treasury stock reserve	-	-	414,918,176	10,323,444
Retained Earnings	11,646,881,980	319,192,312	10,325,110,201	277,923,089
<i>Total equity attributable to the Company's shareholders</i>	<i>14,052,240,125</i>	<i>400,437,515</i>	<i>12,440,161,365</i>	<i>347,045,880</i>
Less: Treasury stock	-	-	(414,918,176)	(10,323,444)
<i>Equity attributable to the Company's shareholders - net</i>	<i>14,052,240,125</i>	<i>400,437,515</i>	<i>12,025,243,189</i>	<i>336,722,436</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	12,691,179	374,537	12,463,445	344,001
<i>Total Shareholders' Equity</i>	<i>14,064,931,304</i>	<i>400,812,052</i>	<i>12,037,706,634</i>	<i>337,066,437</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>15,018,138,065</i>	<i>428,942,693</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

**Table 3: Consolidated Income Statement for the Year Ended 31<sup>st</sup> December  
2007 and 2006**

Consolidated Income Statement	31/12/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
<b>Revenues</b>				
Vessel operating income				
Hire income	6,969,502,482	201,001,001	6,893,812,838	180,160,840
Freight income	318,867,103	9,076,645	2,162,490,197	56,554,622
<i>Total vessel operating income</i>	<i>7,288,369,585</i>	<i>210,077,646</i>	<i>9,056,303,035</i>	<i>236,715,462</i>
Service income	8,974,530	255,009	20,207,808	530,054
Gain on sales of vessels and equipment	1,558,219,821	42,060,309	845,730	22,825
Other income				
Interest income	142,124,906	4,110,695	27,983,874	734,438
Exchange gains	-	458,305	122,837,200	119,414
Others	1,222,118	34,749	2,704,151	67,215
<i>Total other income</i>	<i>143,347,024</i>	<i>4,603,749</i>	<i>153,525,225</i>	<i>921,067</i>
Share of profit from investment in associate held				
by a subsidiary	34,126,828	980,524	19,875,074	518,185
<i>Total revenues</i>	<i>9,033,037,788</i>	<i>257,977,237</i>	<i>9,250,756,872</i>	<i>238,707,593</i>
<b>Expenses</b>				
Vessel operating costs				
Vessel running expenses	1,758,125,442	50,637,340	2,120,077,863	55,362,329
Voyage disbursements	54,026,838	1,548,707	340,215,729	8,852,137
Bunker consumption	60,213,076	1,708,429	489,688,978	12,751,839
<i>Total vessel operating costs</i>	<i>1,872,365,356</i>	<i>53,894,476</i>	<i>2,949,982,570</i>	<i>76,966,305</i>
Depreciation	1,824,575,209	49,717,409	2,093,430,137	56,250,647
Cost of services	29,494,469	850,181	31,658,084	831,100
Administrative expenses	381,576,200	11,024,066	278,123,001	7,307,742
Other expense				
Bad debt and allowance for doubtful accounts	4,747,387	135,789	31,814,057	844,791
Losses on derivative contracts	241,969,452	7,073,000	-	-
Exchange losses	175,167,588	-	-	-
<i>Total other expense</i>	<i>421,884,427</i>	<i>7,208,789</i>	<i>31,814,057</i>	<i>844,791</i>
<i>Total expenses</i>	<i>4,529,895,661</i>	<i>122,694,921</i>	<i>5,385,007,849</i>	<i>142,200,585</i>
<i>Income before interest and financial costs and     corporate income tax</i>	<i>4,503,142,127</i>	<i>135,282,316</i>	<i>3,865,749,023</i>	<i>96,507,008</i>

**Table 3: Consolidated Income Statement for the Year Ended 31<sup>st</sup> December  
2007 and 2006 (Continued)**

Consolidated Income Statement	31/12/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
<i>Income before interest and financial costs and corporate income tax</i>	4,503,142,127	135,282,316	3,865,749,023	96,507,008
Less: Interest and financial costs	(126,755,592)	(3,684,984)	(144,053,394)	(3,706,911)
<i>Income before corporate income tax</i>	4,376,386,535	131,597,332	3,721,695,629	92,800,097
Less: Corporate income tax	(215,570,735)	(6,329,523)	-	-
<i>Income after corporate income tax</i>	4,160,815,800	125,267,809	3,721,695,629	92,800,097
Less: Net income attributable to minority interest	(4,655,578)	(133,702)	(6,572,873)	(169,545)
<i>Net income</i>	4,156,160,222	125,134,107	3,715,122,756	92,630,552
Treasury stock reserve - reverse	414,918,176	10,323,444	35,962,540	894,772
Statutory reserve - the Company	(51,952,060)	(1,491,598)	-	-
Statutory reserve - subsidiaries	(43,100,000)	(1,260,776)	(25,610,000)	(679,232)
Depreciation of revaluation surplus of fixed assets	20,313,507	556,506	-	-
Dividend paid	(3,174,568,066)	(91,992,460)	(1,796,046,847)	(47,996,876)
Retained earnings, Beginning of the period	10,325,110,201	277,923,089	8,395,681,752	233,073,873
<i>Retained earnings, Ending of the period</i>	11,646,881,980	319,192,312	10,325,110,201	277,923,089
Earnings per share	4.01	0.12	3.62	0.09

## **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**

---

## **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.

- 
- 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.

Fixed assets originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht fixed 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.

- Advance for vessel construction is mostly denominated in US dollars and are translated into Baht at the historical exchange rate as at the payment date and restated back into US dollars at such historical exchange rate.
- Accounts receivable and payable, and advance 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.
- 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.
- 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 reserves are restated at the historical exchange rates. Any increase or decrease is restated at the corresponding average exchange rate of the month in which the transaction has occurred.

### **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 months ended December 31<sup>st</sup>, 2007, 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 Baker Tilly 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 disposal of fixed assets are converted at the actual Baht to US dollar exchange rate as at the date of asset disposal for both US dollar and Baht sales.
- 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

---

<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

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 historical exchange rates in which the dividend payment occurred.
- 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.