



Baker Tilly Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Year Ended
31st December 2008**

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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) Limited¹ (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 Nine-month periods ended 31st December 2008. 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 31st December 2008 indicates that the total assets and liabilities of PSL were US\$ 514 million and US\$ 51 million, respectively. The equity of PSL as at 31st December 2008 was therefore US\$ 463 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the year ended 31st December 2008 were US\$ 259 million and US\$ 106 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 5 million, equates to US\$ 148 million. The retained earnings at the end of the year stood at US\$ 381 million.

¹ 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 31st December 2008 – Assets

Assets	31/12/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	3,350,024,741	96,250,973	1,470,244,256	43,692,771
Trade accounts receivable - net	46,765,842	1,343,649	34,638,681	1,029,394
Bunker oil	6,667,192	191,558	5,636,525	167,506
Other current assets				
Advances to vessel masters	102,137,723	2,934,562	100,196,046	2,977,630
Claim recoverable	89,737,672	2,578,291	100,254,008	2,979,352
Others	42,589,372	1,223,653	51,927,935	1,543,196
<i>Total other current assets</i>	<i>234,464,767</i>	<i>6,736,506</i>	<i>252,377,989</i>	<i>7,500,178</i>
<i>Total current assets</i>	<i>3,637,922,542</i>	<i>104,522,686</i>	<i>1,762,897,451</i>	<i>52,389,849</i>
Non-current assets				
Investment in associate held by a subsidiary	122,566,201	2,911,399	134,282,332	3,274,722
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	16,261,193,994	480,077,929
Drydock and special survey	1,703,583,190	48,950,647	1,424,362,597	39,133,820
Office equipment	27,421,582	787,861	19,368,012	575,579
Leasehold improvement	13,661,808	392,523	12,998,873	386,301
Vehicles	20,568,282	590,956	20,568,282	611,249
Buildings and improvement	326,207,794	11,087,043	325,977,794	11,078,023
Furniture and fixtures	27,784,493	798,288	27,451,199	815,796
Work in progress	-	-	1,030,296	30,736
<i>Total</i>	<i>18,380,421,143</i>	<i>542,685,247</i>	<i>18,092,951,047</i>	<i>532,709,433</i>
Less: Accumulated depreciation	(9,299,915,772)	(286,271,429)	(8,567,292,354)	(264,773,191)
<i>Total Fixed assets - net</i>	<i>9,080,505,371</i>	<i>256,413,818</i>	<i>9,525,658,693</i>	<i>267,936,242</i>
Other non-current assets				
Computer software - net	54,825,388	1,575,211	43,495,617	1,292,604
Advances for vessel construction	4,720,520,133	139,175,178	3,239,547,115	94,810,460
Deferred financial fees	330,740,492	9,418,797	298,101,974	8,859,005
Others	3,322,306	95,454	4,024,453	119,599
<i>Total other non-current assets</i>	<i>5,109,408,319</i>	<i>150,264,640</i>	<i>3,585,169,159</i>	<i>105,081,668</i>
<i>Total non-current assets</i>	<i>14,322,610,321</i>	<i>409,850,069</i>	<i>13,255,240,614</i>	<i>376,552,844</i>
<i>Total Assets</i>	<i>17,960,532,863</i>	<i>514,372,755</i>	<i>15,018,138,065</i>	<i>428,942,693</i>

Table 2: Consolidated Balance Sheet as at 31st December 2008 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/12/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	96,213,245	2,742,493	66,544,366	1,963,830
Advance received from vessel sales	21,891,418	624,000	-	-
Advance received from charterers	211,642,085	6,032,714	171,470,255	5,060,358
Other current liabilities				
Accrued crew accounts	101,031,624	2,879,838	96,522,767	2,848,540
Current portion of accrued employee benefits	147,794,957	4,212,795	58,447,242	1,724,871
Accrued expenses	112,153,882	3,196,870	112,930,522	3,332,759
Provision for income tax	11,082,386	315,896	216,229,956	6,381,288
Withholding tax payable	54,438,912	1,551,745	38,021,854	1,122,085
Others	21,383,258	609,515	28,141,060	830,487
<i>Total other current liabilities</i>	<i>447,885,019</i>	<i>12,766,659</i>	<i>550,293,401</i>	<i>16,240,030</i>
<i>Total current liabilities</i>	<i>777,631,767</i>	<i>22,165,866</i>	<i>788,308,022</i>	<i>23,264,218</i>
Non-current liabilities				
Accrued employee benefits - net of current portion	217,850,070	6,209,668	95,947,000	2,831,548
Provisions for maritime claims	48,106,741	1,371,250	68,951,739	2,034,875
Long-term loans - net	739,495,539	21,071,938	-	-
<i>Total non-current liabilities</i>	<i>1,005,452,350</i>	<i>28,652,856</i>	<i>164,898,739</i>	<i>4,866,423</i>
<i>Total Liabilities</i>	<i>1,783,084,117</i>	<i>50,818,722</i>	<i>953,206,761</i>	<i>28,130,641</i>
Shareholders' Equity				
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	103,711,800	2,841,271	123,965,882	3,396,149
Translation adjustment	120,183,371	6,077,761	86,324,046	5,958,100
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	496,020,000	13,673,730	467,720,000	12,833,524
Corporate social responsibility reserve	24,692,961	704,744	-	-
Unappropriated	13,694,533,528	380,886,722	11,646,881,980	319,192,312
<i>Total equity attributable to the Company's shareholders</i>	<i>16,166,489,877</i>	<i>463,241,658</i>	<i>14,052,240,125</i>	<i>400,437,515</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	10,958,869	312,375	12,691,179	374,537
<i>Total Shareholders' Equity</i>	<i>16,177,448,746</i>	<i>463,554,033</i>	<i>14,064,931,304</i>	<i>400,812,052</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>17,960,532,863</i>	<i>514,372,755</i>	<i>15,018,138,065</i>	<i>428,942,693</i>

**Table 3: Consolidated Income Statement for the Year Ended 31st December
2008 and 2007**

Consolidated Income Statement	31/12/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	8,337,105,438	251,051,326	6,969,502,482	201,001,001
Freight income	198,694,145	5,958,793	318,867,103	9,076,645
<i>Total vessel operating income</i>	<i>8,535,799,583</i>	<i>257,010,119</i>	<i>7,288,369,585</i>	<i>210,077,646</i>
Service income	2,831,834	85,366	8,974,530	255,009
Gain on sales of vessels and equipment	-	-	1,558,219,821	42,060,309
Interest income	49,565,052	1,490,884	142,124,906	4,110,695
Exchange gains	61,130,752	-	-	458,305
Others income	319,174	9,436	1,222,118	34,749
Share of profit from investment in associate held by a subsidiary	10,167,494	305,337	34,126,828	980,524
<i>Total revenues</i>	<i>8,659,813,889</i>	<i>258,901,142</i>	<i>9,033,037,788</i>	<i>257,977,237</i>
Expenses				
Vessel operating costs				
Vessel running expenses	1,855,744,943	55,858,913	1,758,125,442	50,637,340
Voyage disbursements	32,696,621	1,025,651	54,026,838	1,548,707
Bunker consumption	37,805,454	1,113,029	60,213,076	1,708,429
<i>Total vessel operating costs</i>	<i>1,926,247,018</i>	<i>57,997,593</i>	<i>1,872,365,356</i>	<i>53,894,476</i>
Depreciation	1,085,164,801	30,626,121	1,824,365,929	49,711,374
Cost of services	39,788,613	1,194,230	29,494,469	850,181
Administrative expenses	508,598,322	15,268,716	381,785,480	11,030,101
Bad debt and allowance for doubtful accounts	11,131,965	299,871	4,747,387	135,789
Losses on derivative contracts	-	-	241,969,452	7,073,000
Exchange losses	-	923,998	175,167,588	-
<i>Total expenses</i>	<i>3,570,930,719</i>	<i>106,310,529</i>	<i>4,529,895,661</i>	<i>122,694,921</i>
<i>Income before financial costs and corporate income tax</i>	<i>5,088,883,170</i>	<i>152,590,613</i>	<i>4,503,142,127</i>	<i>135,282,316</i>
Less: Financial costs	(130,644,868)	(3,860,824)	(126,755,592)	(3,684,984)
<i>Income before corporate income tax</i>	<i>4,958,238,302</i>	<i>148,729,789</i>	<i>4,376,386,535</i>	<i>131,597,332</i>
Less: Corporate income tax	(21,374,441)	(644,817)	(215,570,735)	(6,329,523)
<i>Net income for the year</i>	<i>4,936,863,861</i>	<i>148,084,972</i>	<i>4,160,815,800</i>	<i>125,267,809</i>
Net income (loss) attributable to:				
Equity holders of the parent	4,938,592,249	148,137,556	4,156,160,222	125,134,107
Minority interests of the subsidiaries	(1,728,388)	(52,584)	4,655,578	133,702
<i>Net income for the year</i>	<i>4,936,863,861</i>	<i>148,084,972</i>	<i>4,160,815,800</i>	<i>125,267,809</i>

Table 3: Consolidated Income Statement for the Year Ended 31st December 2008 and 2007 (Continued)

Consolidated Income Statement	31/12/2008		31/12/2007	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	4,938,592,249	148,137,556	4,156,160,222	125,134,107
Treasury stock reserve - reverse	-	-	414,918,176	10,323,444
Statutory reserve - the Company	-	-	(51,952,060)	(1,491,598)
Statutory reserve - subsidiaries	(28,300,000)	(840,205)	(43,100,000)	(1,260,776)
Corporate social responsibility reserve	(24,692,961)	(704,744)	-	-
Depreciation of revaluation surplus of fixed assets	20,258,004	554,985	20,313,507	556,506
Dividend paid	(2,858,205,744)	(85,453,182)	(3,174,568,066)	(91,992,460)
Retained earnings, Beginning of the year	11,646,881,980	319,192,312	10,325,110,201	277,923,089
<i>Retained earnings, Ending of the year</i>	<i>13,694,533,528</i>	<i>380,886,722</i>	<i>11,646,881,980</i>	<i>319,192,312</i>
Basic earning per share				
Net income attributable to equity holders of the parent	4.75	0.14	4.01	0.12

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.

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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.

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.
- In 2007, deferred financial fees were translated into US dollars according to the same translation policy as applied to other assets.

However, in 2008, the company has changed the translation policy earlier applied to this item. Since the transaction was originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the month in which the transaction had occurred, the company therefore views that it would be more appropriate to change the translation policy by also translating the Baht amount back into US dollars at such exchange rate.

No retroactive adjustment was made to the 2007 figure of this item since the variance arising from the application of the new translation policy compared to the total assets size of the company is immaterial.

- 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 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 rates² for the three-month periods ended December 31st, 2008, 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,

¹ 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.

² 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

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 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 month in which the transaction 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.