



Baker Tilly Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Three-Month Periods
Ended 31st March 2009**

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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 three-month periods ended 31st March 2009. 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 March 2009 indicates that the total assets and liabilities of PSL were US\$ 566 million and US\$ 101 million, respectively. The equity of PSL as at 31st March 2009 was therefore US\$ 465 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the three-month periods ended 31st March 2009 were US\$ 57 million and US\$ 28 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 5 million, equates to US\$ 24 million. The retained earnings at the end of the period 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 March 2009 – Assets

Assets	31/3/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	3,911,993,797	110,536,402	3,350,024,741	96,250,973
Trade accounts receivable - net	46,633,552	1,317,667	46,765,842	1,343,649
Bunker oil	20,993,201	593,179	6,667,192	191,558
Other current assets				
Advances to vessel masters	89,036,525	2,515,796	102,137,723	2,934,562
Claim recoverable	107,123,302	3,026,851	89,737,672	2,578,291
Others	45,130,701	1,275,203	42,589,372	1,223,653
<i>Total other current assets</i>	<i>241,290,528</i>	<i>6,817,850</i>	<i>234,464,767</i>	<i>6,736,506</i>
<i>Total current assets</i>	<i>4,220,911,078</i>	<i>119,265,098</i>	<i>3,637,922,542</i>	<i>104,522,686</i>
Non-current assets				
Investment in associate held by a subsidiary	116,951,039	2,751,138	122,566,201	2,911,399
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Fixed assets at cost				
Vessels and vessels equipment	15,048,041,989	442,430,889	16,261,193,994	480,077,929
Drydock and special survey	1,417,091,772	40,772,543	1,703,583,190	48,950,647
Office equipment	27,551,065	778,477	27,421,582	787,861
Leasehold improvement	13,661,808	386,025	13,661,808	392,523
Vehicles	20,568,282	581,173	20,568,282	590,956
Buildings and improvement	326,474,794	11,097,513	326,207,794	11,087,043
Furniture and fixtures	27,784,493	785,072	27,784,493	798,288
<i>Total</i>	<i>16,881,174,203</i>	<i>496,831,692</i>	<i>18,380,421,143</i>	<i>542,685,247</i>
Less: Accumulated depreciation	(8,492,208,448)	(260,069,314)	(9,299,915,772)	(286,271,429)
<i>Total Fixed assets - net</i>	<i>8,388,965,755</i>	<i>236,762,378</i>	<i>9,080,505,371</i>	<i>256,413,818</i>
Other non-current assets				
Computer software - net	52,072,643	1,471,352	54,825,388	1,575,211
Advances for vessel construction	6,700,780,812	195,648,758	4,720,520,133	139,175,178
Deferred financial fees	321,323,518	9,130,792	330,740,492	9,418,797
Advance for share acquisition in associate held by a subsidiary	11,538,699	329,882	-	-
Others	3,322,306	93,874	3,322,306	95,454
<i>Total other non-current assets</i>	<i>7,089,037,978</i>	<i>206,674,658</i>	<i>5,109,408,319</i>	<i>150,264,640</i>
<i>Total non-current assets</i>	<i>15,605,085,202</i>	<i>446,448,386</i>	<i>14,322,610,321</i>	<i>409,850,069</i>
<i>Total Assets</i>	<i>19,825,996,280</i>	<i>565,713,484</i>	<i>17,960,532,863</i>	<i>514,372,755</i>

Table 2: Consolidated Balance Sheet as at 31st March 2009 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/3/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	37,135,626	1,041,296	96,213,245	2,742,493
Advance received from vessel sales	67,402,881	1,890,000	21,891,418	624,000
Advance received from charterers	148,357,583	4,159,998	211,642,085	6,032,714
Other current liabilities				
Accrued crew accounts	87,721,114	2,459,730	101,031,624	2,879,838
Current portion of accrued employee benefits	131,171,181	3,678,085	147,794,957	4,212,795
Accrued expenses	116,607,616	3,269,718	112,153,882	3,196,870
Provision for income tax	50,397,367	1,413,160	11,082,386	315,896
Withholding tax payable	59,448,816	1,666,965	54,438,912	1,551,745
Others	27,811,804	779,852	21,383,258	609,515
<i>Total other current liabilities</i>	<i>473,157,898</i>	<i>13,267,510</i>	<i>447,885,019</i>	<i>12,766,659</i>
<i>Total current liabilities</i>	<i>726,053,988</i>	<i>20,358,804</i>	<i>777,631,767</i>	<i>22,165,866</i>
Non-current liabilities				
Accrued employee benefits - net of current portion	98,662,921	2,766,542	217,850,070	6,209,668
Provisions for maritime claims	45,926,683	1,287,800	48,106,741	1,371,250
Long-term loans - net	2,737,700,433	76,734,065	739,495,539	21,071,938
<i>Total non-current liabilities</i>	<i>2,882,290,037</i>	<i>80,788,407</i>	<i>1,005,452,350</i>	<i>28,652,856</i>
<i>Total Liabilities</i>	<i>3,608,344,025</i>	<i>101,147,211</i>	<i>1,783,084,117</i>	<i>50,818,722</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	98,703,830	2,704,074	103,711,800	2,841,271
Translation adjustment	146,291,367	6,236,232	120,183,371	6,077,761
Retained earnings				
Appropriated				
Statutory reserve - the Company	103,952,060	2,796,327	103,952,060	2,796,327
Statutory reserve - subsidiaries	513,220,000	14,161,363	496,020,000	13,673,730
Corporate social responsibility reserve	28,908,404	824,255	24,692,961	704,744
Unappropriated	13,689,711,301	381,205,240	13,694,533,528	380,886,722
<i>Total equity attributable to the Company's shareholders</i>	<i>16,204,183,119</i>	<i>464,188,594</i>	<i>16,166,489,877</i>	<i>463,241,658</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	13,469,136	377,679	10,958,869	312,375
<i>Total Shareholders' Equity</i>	<i>16,217,652,255</i>	<i>464,566,273</i>	<i>16,177,448,746</i>	<i>463,554,033</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>19,825,996,280</i>	<i>565,713,484</i>	<i>17,960,532,863</i>	<i>514,372,755</i>

**Table 3: Consolidated Income Statement for the Three-Month Periods
Ended 31st March 2009 and 2008**

Consolidated Income Statement	31/3/2009		31/3/2008	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	1,783,762,669	50,906,178	1,915,030,667	57,815,912
Freight income	177,948,021	5,078,396	83,270,340	2,513,981
<i>Total vessel operating income</i>	<i>1,961,710,690</i>	<i>55,984,574</i>	<i>1,998,301,007</i>	<i>60,329,893</i>
Service income	12,290,194	350,746	582,624	17,590
Interest income	8,287,399	236,511	7,810,845	235,814
Exchange gains	-	12,780	-	-
Others	20,861,615	595,362	1,908,312	57,613
<i>Total revenues</i>	<i>2,003,149,898</i>	<i>57,179,973</i>	<i>2,008,602,788</i>	<i>60,640,910</i>
Expenses				
Vessel operating costs				
Vessel running expenses	500,948,198	14,296,385	440,821,411	13,308,660
Voyage disbursements	56,659,802	1,616,994	23,938,393	722,714
Bunker consumption	53,234,810	1,519,250	10,274,407	310,191
<i>Total vessel operating costs</i>	<i>610,842,810</i>	<i>17,432,629</i>	<i>475,034,211</i>	<i>14,341,565</i>
Depreciation	285,413,670	8,128,442	268,452,068	7,474,174
Cost of services	1,003,747	28,645	6,572,119	198,416
Administrative expenses	50,291,548	1,435,253	108,853,206	3,286,343
Management remuneration including perquisites	29,906,952	853,504	36,648,380	1,106,436
Losses on sales of vessels and equipment	12,503,659	255,826	-	-
Bad debt and allowance for doubtful accounts	9,910,232	282,825	299,194	9,033
Exchange losses	5,989,752	-	82,361,693	204,169
<i>Total expenses</i>	<i>1,005,862,370</i>	<i>28,417,124</i>	<i>978,220,871</i>	<i>26,620,136</i>
<i>Income before financial costs and corporate income tax</i>				
income tax	997,287,528	28,762,849	1,030,381,917	34,020,774
Less: Financial costs	(119,071,809)	(3,398,149)	(19,888,561)	(600,448)
Share of income (loss) from investment in associate held by a subsidiary	6,670,554	190,382	(957,490)	(28,907)
<i>Income before corporate income tax</i>	<i>884,886,273</i>	<i>25,555,082</i>	<i>1,009,535,866</i>	<i>33,391,419</i>
Less: Corporate income tax	(39,286,521)	(1,121,184)	(298,110)	(9,000)
<i>Net income for the period</i>	<i>845,599,752</i>	<i>24,433,898</i>	<i>1,009,237,756</i>	<i>33,382,419</i>
Net income (loss) attributable to:				
Equity holders of the parent	843,088,646	24,362,234	1,009,948,248	33,403,869
Minority interests of the subsidiaries	2,511,106	71,664	(710,492)	(21,450)
<i>Net income for the period</i>	<i>845,599,752</i>	<i>24,433,898</i>	<i>1,009,237,756</i>	<i>33,382,419</i>

**Table 3: Consolidated Income Statement for the Three-Month Periods
Ended 31st March 2009 and 2008 (Continued)**

Consolidated Income Statement	31/3/2009		31/3/2008	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	843,088,646	24,362,234	1,009,948,248	33,403,869
Statutory reserve - subsidiaries	(17,200,000)	(487,633)	(2,700,000)	(82,905)
Corporate social responsibility reserve	(4,215,443)	(119,511)	-	-
Depreciation of revaluation surplus of fixed assets	5,008,810	137,221	5,008,810	137,221
Dividend payable	-	-	(779,483,546)	(23,934,547)
Dividend paid	(831,504,240)	(23,573,793)	-	-
Retained earnings, Beginning of the period	13,694,533,528	380,886,722	11,646,881,980	319,192,312
<i>Retained earnings, Ending of the period</i>	<i>13,689,711,301</i>	<i>381,205,240</i>	<i>11,879,655,492</i>	<i>328,715,950</i>
Basic earning per share				
Net income attributable to equity holders of the parent	0.81	0.02	0.97	0.03

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.
- Deferred financial fees were originally denominated in US dollars and translated into Baht at the corresponding average exchange rate of the month in which the transaction had occurred. And therefore, the item was 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 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 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 31st March 2009, 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.

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

- 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.