



Baker Tilly Corporate Advisory Services (Thailand) Limited

Precious Shipping Public Company Limited

**USD Restatement Report for the Year Ended
31st December 2009**

Baker Tilly Corporate Advisory Services (Thailand) Limited
21ST FLOOR SATHORN CITY TOWER, 175 SOUTH SATHORN ROAD
THUNGMAHAMEK, SATHORN, BANGKOK 10120
TEL: 02 679 5400 FAX: 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.

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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 year ended 31st December 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 December 2009 indicates that the total assets and liabilities of PSL were US\$ 644 million and US\$ 149 million, respectively. The equity of PSL as at 31st December 2009 was therefore US\$ 495 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the year ended 31st December 2009 were US\$ 185 million and US\$ 88 million, respectively. Net income, after deducting interest and finance cost and corporate income tax of US\$ 9 million, equates to US\$ 88 million. The retained earnings at the end of the year stood at US\$ 408 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 2009 – Assets

Assets	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	5,848,782,201	176,058,367	3,350,024,741	96,250,973
Current investments - net	27,500,000	827,797	-	-
Trade accounts receivable - net	42,078,391	1,266,632	46,765,842	1,343,649
Bunker oil	-	-	6,667,192	191,558
Other current assets				
Advances to vessel masters	54,093,717	1,628,314	102,137,723	2,934,562
Claim recoverable	35,304,785	1,062,734	89,737,672	2,578,291
Others	35,959,713	1,082,449	42,589,372	1,223,653
<i>Total other current assets</i>	<i>125,358,215</i>	<i>3,773,497</i>	<i>234,464,767</i>	<i>6,736,506</i>
<i>Total current assets</i>	<i>6,043,718,807</i>	<i>181,926,293</i>	<i>3,637,922,542</i>	<i>104,522,686</i>
Non-current assets				
Investment in associate held by a subsidiary	143,219,374	3,508,740	122,566,201	2,911,399
Other long-term investment	10,130,430	260,212	10,130,430	260,212
Property, building and equipment at cost				
Vessels and vessels equipment	12,225,818,775	357,873,703	16,261,193,994	480,077,929
Drydock and special survey	740,517,966	21,758,957	1,703,583,190	48,950,647
Office equipment	27,958,925	841,612	27,421,582	787,861
Leasehold improvement	13,661,808	411,244	13,661,808	392,523
Vehicles	20,074,283	604,270	20,568,282	590,956
Buildings and improvement	446,527,928	14,710,024	326,207,794	11,087,043
Furniture and fixtures	28,153,256	847,461	27,784,493	798,288
<i>Total</i>	<i>13,502,712,941</i>	<i>397,047,271</i>	<i>18,380,421,143</i>	<i>542,685,247</i>
Less: Accumulated depreciation	(5,721,790,473)	(175,835,167)	(9,299,915,772)	(286,271,429)
<i>Property, building and equipment - net</i>	<i>7,780,922,468</i>	<i>221,212,104</i>	<i>9,080,505,371</i>	<i>256,413,818</i>
Other non-current assets				
Computer software - net	46,911,635	1,412,121	54,825,388	1,575,211
Advances for vessel constructions	7,809,282,007	227,557,748	4,720,520,133	139,175,178
Deferred financial fees - net	291,253,234	8,274,534	330,740,492	9,418,797
Advance for share acquisition in associate held by a subsidiary	11,538,699	329,882	-	-
Others	3,152,306	94,890	3,322,306	95,454
<i>Total other non-current assets</i>	<i>8,162,137,881</i>	<i>237,669,175</i>	<i>5,109,408,319</i>	<i>150,264,640</i>
<i>Total non-current assets</i>	<i>16,096,410,153</i>	<i>462,650,231</i>	<i>14,322,610,321</i>	<i>409,850,069</i>
<i>Total Assets</i>	<i>22,140,128,960</i>	<i>644,576,524</i>	<i>17,960,532,863</i>	<i>514,372,755</i>

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

Liabilities and Shareholders' Equity	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	44,727,575	1,334,482	96,213,245	2,742,493
Advances received from vessel sales	29,158,895	869,979	21,891,418	624,000
Advances received from charterers	79,029,033	2,357,893	211,642,085	6,032,714
Other current liabilities				
Accrued crew accounts	49,382,671	1,473,371	101,031,624	2,879,838
Current portion of accrued employee benefits	165,690,296	4,943,500	147,794,957	4,212,795
Accrued expenses	45,489,571	1,357,217	112,153,882	3,196,870
Provision for income tax	24,631,203	734,891	11,082,386	315,896
Withholding tax payable	31,427,877	937,675	54,438,912	1,551,745
Others	19,347,683	577,253	21,383,258	609,515
<i>Total other current liabilities</i>	<i>335,969,301</i>	<i>10,023,907</i>	<i>447,885,019</i>	<i>12,766,659</i>
<i>Total current liabilities</i>	<i>488,884,804</i>	<i>14,586,261</i>	<i>777,631,767</i>	<i>22,165,866</i>
Non-current liabilities				
Accrued employee benefits - net of current portion	173,011,023	5,161,920	217,850,070	6,209,668
Provisions for maritime claims	42,050,177	1,254,600	48,106,741	1,371,250
Payables from cross currency swap contracts	8,124,620	47,140	-	-
Long-term loans - net	4,291,698,801	128,081,813	739,495,539	21,071,938
<i>Total non-current liabilities</i>	<i>4,514,884,621</i>	<i>134,545,473</i>	<i>1,005,452,350</i>	<i>28,652,856</i>
<i>Total Liabilities</i>	<i>5,003,769,425</i>	<i>149,131,734</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 - net	203,452,059	5,897,294	103,711,800	2,841,271
Translation adjustments	(22,850,674)	6,210,819	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	37,782,784	1,086,170	24,692,961	704,744
Unappropriated	14,652,874,052	408,299,750	13,694,533,528	380,886,722
<i>Total equity attributable to the Company's shareholders</i>	<i>17,111,826,438</i>	<i>494,712,826</i>	<i>16,166,489,877</i>	<i>463,241,658</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	24,533,097	731,964	10,958,869	312,375
<i>Total Shareholders' Equity</i>	<i>17,136,359,535</i>	<i>495,444,790</i>	<i>16,177,448,746</i>	<i>463,554,033</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>22,140,128,960</i>	<i>644,576,524</i>	<i>17,960,532,863</i>	<i>514,372,755</i>

**Table 3: Consolidated Income Statement for the Year Ended 31st December
2009 and 2008**

Consolidated Income Statement	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Revenues				
Vessel operating income				
Hire income	5,109,100,239	147,706,630	8,337,105,438	251,051,326
Freight income	414,544,962	11,868,455	198,694,145	5,958,793
<i>Total vessel operating income</i>	<i>5,523,645,201</i>	<i>159,575,085</i>	<i>8,535,799,583</i>	<i>257,010,119</i>
Service income	16,753,312	481,383	2,831,834	85,366
Gain on sales of vessels and equipment	760,279,523	22,869,959	137,933	3,992
Interest income	38,065,092	1,106,201	49,565,052	1,490,884
Exchange gains	43,626,627	162,198	61,130,752	-
Other income	26,508,055	759,405	319,174	9,436
<i>Total revenues</i>	<i>6,408,877,810</i>	<i>184,954,231</i>	<i>8,649,784,328</i>	<i>258,599,797</i>
Expenses				
Vessel operating costs				
Vessel running expenses	1,500,155,882	43,366,133	1,855,744,943	55,858,913
Voyage disbursements	106,262,509	3,054,433	32,696,621	1,025,651
Bunker consumption	105,422,379	3,018,393	37,805,454	1,113,029
<i>Total vessel operating costs</i>	<i>1,711,840,770</i>	<i>49,438,959</i>	<i>1,926,247,018</i>	<i>57,997,593</i>
Depreciation	934,609,148	26,656,269	1,085,164,801	30,626,121
Cost of services	9,614,509	280,042	23,322,154	698,036
Administrative expenses	255,345,894	7,448,023	377,828,499	11,328,228
Management remuneration including perquisites	138,106,205	4,028,476	147,374,215	4,440,674
Bad debts and doubtful accounts	9,698,521	276,703	11,131,965	299,871
Exchange losses	-	-	-	923,998
<i>Total expenses</i>	<i>3,059,215,047</i>	<i>88,128,472</i>	<i>3,571,068,652</i>	<i>106,314,521</i>
<i>Income before share of income from investment in associate</i>	<i>3,349,662,763</i>	<i>96,825,759</i>	<i>5,078,715,676</i>	<i>152,285,276</i>
Share of income from investment in associate held by a subsidiary	22,317,306	643,322	10,167,494	305,337
<i>Income before finance cost and corporate income tax</i>	<i>3,371,980,069</i>	<i>97,469,081</i>	<i>5,088,883,170</i>	<i>152,590,613</i>
Less: Finance cost	(265,811,637)	(7,690,832)	(130,644,868)	(3,860,824)
<i>Income before corporate income tax</i>	<i>3,106,168,432</i>	<i>89,778,249</i>	<i>4,958,238,302</i>	<i>148,729,789</i>
Less: Corporate income tax	(45,536,596)	(1,296,688)	(21,374,441)	(644,817)
<i>Net income for the year</i>	<i>3,060,631,836</i>	<i>88,481,561</i>	<i>4,936,863,861</i>	<i>148,084,972</i>
Net income (loss) attributable to:				
Equity holders of the parent	3,047,056,978	88,086,604	4,938,592,249	148,137,556
Minority interests of the subsidiaries	13,574,858	394,957	(1,728,388)	(52,584)
<i>Net income for the year</i>	<i>3,060,631,836</i>	<i>88,481,561</i>	<i>4,936,863,861</i>	<i>148,084,972</i>

**Table 3: Consolidated Income Statement for the Year Ended 31st December
2009 and 2008 (Continued)**

Consolidated Income Statement	31/12/2009		31/12/2008	
	BAHT	US\$	BAHT	US\$
Net income attributable to equity holders of the parent	3,047,056,978	88,086,604	4,938,592,249	148,137,556
Statutory reserve - subsidiaries	(17,200,000)	(487,633)	(28,300,000)	(840,205)
Corporate social responsibility reserve - net	(13,089,823)	(381,426)	(24,692,961)	(704,744)
Amortisation of revaluation surplus on assets of subsidiary	20,313,505	556,506	20,258,004	554,985
Dividend paid	(2,078,740,136)	(60,361,023)	(2,858,205,744)	(85,453,182)
Retained earnings, Beginning of the year	13,694,533,528	380,886,722	11,646,881,980	319,192,312
<i>Retained earnings, Ending of the year</i>	<i>14,652,874,052</i>	<i>408,299,750</i>	<i>13,694,533,528</i>	<i>380,886,722</i>
Basic earning per share				
Net income attributable to equity holders of the parent	2.93	0.08	4.75	0.14

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.

Property, building and equipment originally purchased in Baht are converted into US dollars at the historical exchange rates as at the acquisition date for major Baht 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.

- Advances for vessel constructions is mostly denominated in US dollars and are translated into Baht at the corresponding average exchange rate of the previous month in which the transaction had occurred. And therefore, the item was restated back into US dollars at such exchange rate.
- Accounts receivable and payable, and advances 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 previous 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 previous 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 legal reserves are restated at the historical exchange rates. Any increase or decrease is restated at such corresponding average exchange rate of the previous month. However corporate social responsibility reserve is restated at the corresponding average exchange rate of the previous 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 December 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 BTCAS 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

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

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 sales of vessels and equipment can be categorized into the following groups;
 1. Gains / losses on sales of vessels is converted at the corresponding average exchange rate of the previous month in which the asset had disposed.
 2. Gains / losses on sales of other assets (such as equipment etc.) is translated using the corresponding weighted average exchange rates for the three-month periods in which the transaction had occurred in such period.
- 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 previous 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.