



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

Precious Shipping Public Company Limited

**USD Restatement Report for Three Months
Ended 31st March 2007**

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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 THB audited financial statements into USD.

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) Limited (formerly Baker Tilly FAS (Thailand) Limited) (“BTCAS”) 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, BTCAS attach a summary of the basis of the restatement of the THB financial statements into USD as Appendix 2.

BTCAS has undertaken to report on its review of the restated USD consolidated financial statements for the three-month period ended 31st March 2007. In undertaking the above, BTCAS were accorded the full assistance and co-operation of the PSL staff and management.

The restated USD Balance Sheet as at 31st March 2007 indicates that the total assets and liabilities of PSL were USD 429 million and USD 15 million, respectively. The equity of PSL as at 31st March 2007 was therefore USD 414 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance cost, for the three months ended 31st March 2007 were USD 92 million and USD 30 million, respectively. Net income, after including such items as interest and finance cost totaling USD 0.4 million, equals USD 61 million. The retained earnings at the end of the period stood at USD 349 million.

* Note: Baker TillyFAS (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 31st March 2007 – Assets

Assets	31/03/2007		31/12/2006	
	THB	USD	THB	USD
Current assets				
Cash and cash equivalents	3,714,896,896	106,454,713	1,258,574,577	35,003,673
Current investments-net	564,791,416	16,184,758	-	-
Trade accounts receivable - net	60,972,509	1,747,239	101,106,910	2,812,001
Bunker oil	-	-	43,614,009	1,213,000
Other current assets	494,812,033	14,179,417	199,670,299	5,553,261
<i>Total current assets</i>	<i>4,835,472,854</i>	<i>138,566,127</i>	<i>1,602,965,795</i>	<i>44,581,935</i>
Non-current assets				
Investment in associate held by a subsidiary	116,694,225	2,769,377	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	16,459,496,921	488,002,988	18,092,031,980	552,939,745
Drydock and special survey	1,118,669,648	28,546,178	1,488,085,459	37,545,546
Office equipment	19,142,834	548,560	18,837,972	523,925
Leasehold improvement	12,998,873	372,498	12,998,873	361,527
Vehicles	18,933,022	542,548	17,907,807	498,055
Buildings and improvement	325,977,794	11,078,023	325,977,795	11,078,023
Furniture and fixtures	24,764,838	709,665	24,648,932	685,540
Work in progress	39,613,403	1,135,168	37,599,722	1,045,729
<i>Total</i>	<i>18,019,597,333</i>	<i>530,935,628</i>	<i>20,018,088,540</i>	<i>604,678,090</i>
Less: Accumulated depreciation	(7,733,155,500)	(243,305,696)	(8,994,236,845)	(295,496,902)
<i>Total Fixed assets - net</i>	<i>10,286,441,833</i>	<i>287,629,932</i>	<i>11,023,851,695</i>	<i>309,181,188</i>
Other non-current assets	1,406,906	40,317	1,429,706	39,763
<i>Total non-current assets</i>	<i>10,414,673,394</i>	<i>290,699,838</i>	<i>11,155,179,447</i>	<i>312,336,391</i>
<i>Total Assets</i>	<i>15,250,146,248</i>	<i>429,265,965</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

Table 2 : Consolidated Balance Sheet as at 31st March 2007 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/03/2007		31/12/2006	
	THB	USD	THB	USD
Liabilities				
Current liabilities				
Trade accounts payable	90,001,437	2,561,560	82,603,363	2,279,921
Advance received from vessel sales	25,697,664	720,000	160,060,832	4,385,000
Advance received from charterers	138,894,137	3,953,111	176,407,290	4,868,987
Other current liabilities	275,814,246	7,850,039	301,367,123	8,317,981
<i>Total current liabilities</i>	<i>530,407,484</i>	<i>15,084,710</i>	<i>720,438,608</i>	<i>19,851,889</i>
<i>Total Liabilities</i>	<i>530,407,484</i>	<i>15,084,710</i>	<i>720,438,608</i>	<i>19,851,889</i>
Shareholders' Equity				
Share capital - Issued and paid - up	520,000,000	20,392,157	520,000,000	20,392,157
Translation adjustment	110,063,361	6,317,506	126,689,683	4,864,116
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	172,445,812	4,818,467	21,114,984	578,463
Revaluation surplus on assets of subsidiary	139,269,967	3,815,417	144,278,576	3,952,632
Statutory reserve - the Company	52,000,000	1,304,730	52,000,000	1,304,730
Statutory reserve - subsidiaries	427,920,000	11,665,209	424,620,000	11,572,749
Treasury stock reserve	-	-	414,918,176	10,323,444
Retained Earnings	12,877,402,304	349,471,209	10,325,110,201	277,923,089
<i>Total equity attributable to the Company's shareholders</i>	<i>14,710,531,189</i>	<i>413,919,195</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>14,710,531,189</i>	<i>413,919,195</i>	<i>12,025,243,189</i>	<i>336,722,436</i>
Minority interest - equity attributable to shareholders of subsidiaries	9,207,575	262,060	12,463,445	344,001
<i>Total Shareholders' Equity</i>	<i>14,719,738,764</i>	<i>414,181,255</i>	<i>12,037,706,634</i>	<i>337,066,437</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>15,250,146,248</i>	<i>429,265,965</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

**Table 3: Consolidated Income Statement for Three Months Ended 31st March
2007**

Consolidated Income Statement	3 Months to 31/3/2007		3 Months to 31/3/2006	
	THB	USD	THB	USD
Revenues				
Hire income	1,774,072,096	49,562,285	1,699,045,312	42,475,495
Freight income	178,513,341	4,987,131	452,462,973	11,311,405
<i>Total vessel operating income</i>	<i>1,952,585,437</i>	<i>54,549,416</i>	<i>2,151,508,285</i>	<i>53,786,900</i>
Service income	4,982,854	139,206	4,431,609	110,789
Interest income	19,865,582	554,985	5,271,295	131,780
Other income	62,548	1,748	2,790,703	69,767
Gain on sales of equipment	1,353,185,470	36,310,500	-	-
Exchange gains	-	262,116	124,146,169	92,917
<i>Total revenues</i>	<i>3,330,681,891</i>	<i>91,817,971</i>	<i>2,288,148,061</i>	<i>54,192,153</i>
Expenses				
Vessel running expenses	490,039,995	13,690,257	540,993,829	13,524,643
Voyage disbursements	25,875,767	722,892	92,028,210	2,300,671
Bunker consumption	37,172,749	1,038,496	119,955,749	2,998,849
<i>Total vessel operating costs</i>	<i>553,088,511</i>	<i>15,451,645</i>	<i>752,977,788</i>	<i>18,824,163</i>
Cost of services	7,250,700	202,563	6,446,528	161,161
Administrative expenses	60,041,910	1,677,391	54,406,635	1,360,145
Bad debt and allowance for doubtful accounts	3,626,493	101,313	494,701	12,367
Share of loss from investment in associate held by a subsidiary	3,073,392	85,851	4,109,417	102,769
Depreciation	472,684,308	12,710,942	514,211,255	13,830,378
Exchange losses	80,634,634	-	-	-
<i>Total expenses</i>	<i>1,180,399,948</i>	<i>30,229,705</i>	<i>1,332,646,324</i>	<i>34,290,983</i>
<i>Income before interest and financial costs</i>	<i>2,150,281,943</i>	<i>61,588,266</i>	<i>955,501,737</i>	<i>19,901,170</i>
Less: Interest and financial costs	(13,445,666)	(375,632)	(63,191,038)	(1,579,752)
<i>Income after interest and financial costs</i>	<i>2,136,836,277</i>	<i>61,212,634</i>	<i>892,310,699</i>	<i>18,321,418</i>
Less: Net income attributable to minority interest	(1,171,160)	(32,719)	(2,795,560)	(69,888)
<i>Net income</i>	<i>2,135,665,117</i>	<i>61,179,915</i>	<i>889,515,139</i>	<i>18,251,530</i>
Adjustment of treasury stock reserve	414,918,176	10,323,444	-	-
Statutory reserve - subsidiaries	(3,300,000)	(92,460)	(6,310,000)	(160,340)
Depreciation of revaluation surplus of fixed asset	5,008,810	137,221	-	-
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>	<i>12,877,402,304</i>	<i>349,471,209</i>	<i>9,278,886,891</i>	<i>251,165,063</i>
Earnings per share	4.18	0.12	1.76	0.04

APPENDICES

- 1. BAKER TILLY CORPORATE ADVISORY SERVICES
(THAILAND) LIMITED, (FORMERLY BAKER TILLY
FAS (THAILAND) LIMITED) 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, BTCAS 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 BTCAS'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 BTCAS 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 BTCAS 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 BTCAS 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 31st March 2007 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 31st March 2007 exchange rate to reverse the translation.
- 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 31st March 2007 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 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 rates for three months ended 31st March 2007, 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 assets and liabilities which in USD terms have changed in value since 31st December 2006. 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 January 2007.
- 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.

¹ The foreign exchange rate used is the monthly average rate obtained from the Bank of Thailand one month afterwards, e.g. average THB / USD rate of February is applied as the basis for the month of March figure.

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.