



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

Precious Shipping Public Company Limited

**USD Restatement Report for Nine Months
Ended 30th September 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 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 period ended 30th September 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 30th September 2007 indicates that the total assets and liabilities of PSL were US\$423 million and US\$27 million, respectively. The equity of PSL as at 30th September 2007 was therefore US\$396 million.

With regards to the income statement, PSL’s total revenue and expenses, excluding interest and finance cost, for the nine months ended 30th September 2007 were US\$200 million and US\$93 million, respectively. Net income, after deducting interest and finance cost of US\$2 million, equates to US\$105 million. The retained earnings at the end of the period stood at US\$315 million.

¹ 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 30th September 2007 – Assets

Assets	30/9/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
Current assets				
Cash and cash equivalents	3,347,955,730	98,060,317	1,258,574,577	35,003,673
Trade accounts receivable - net	44,639,502	1,307,474	101,106,910	2,812,001
Bunker oil	-	-	43,614,009	1,213,000
Other current assets	215,438,642	6,310,114	199,670,299	5,553,261
<i>Total current assets</i>	<i>3,608,033,874</i>	<i>105,677,905</i>	<i>1,602,965,795</i>	<i>44,581,935</i>
Non-current assets				
Investment in associate held by a subsidiary	122,331,145	2,930,256	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	1,287,494,199	34,755,811	1,488,085,459	37,545,546
Office equipment	20,104,263	588,846	18,837,972	523,925
Leasehold improvement	12,998,873	380,732	12,998,873	361,527
Vehicles	20,568,282	602,437	17,907,807	498,055
Buildings and improvement	325,977,795	11,078,023	325,977,795	11,078,023
Furniture and fixtures	26,626,015	779,866	24,648,932	685,540
Work in progress	42,159,579	1,234,838	37,599,722	1,045,729
<i>Total</i>	<i>17,997,123,000</i>	<i>529,498,482</i>	<i>20,018,088,540</i>	<i>604,678,090</i>
Less: Accumulated depreciation	(8,184,062,595)	(254,009,575)	(8,994,236,845)	(295,496,902)
<i>Total Fixed assets - net</i>	<i>9,813,060,405</i>	<i>275,488,907</i>	<i>11,023,851,695</i>	<i>309,181,188</i>
Advances for vessel construction	1,024,319,829	29,999,995	-	-
Deferred financial fees	303,332,062	8,884,478	-	-
Other non-current assets	1,664,753	48,760	1,429,706	39,763
<i>Total non-current assets</i>	<i>11,274,838,624</i>	<i>317,612,608</i>	<i>11,155,179,447</i>	<i>312,336,391</i>
<i>Total Assets</i>	<i>14,882,872,498</i>	<i>423,290,513</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

Table 2: Consolidated Balance Sheet as at 30th September 2007 – Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	30/9/2007		31/12/2006	
	BAHT	US\$	BAHT	US\$
Liabilities				
Current liabilities				
Trade accounts payable	117,770,124	3,425,034	82,603,363	2,279,921
Advance received from vessel sales	-	-	160,060,832	4,385,000
Advance received from charterers	136,375,983	3,966,136	176,407,290	4,868,987
Provisions for loss on financial instruments	235,268,356	6,842,160	-	-
Other current liabilities	354,549,306	10,311,132	301,367,123	8,317,981
<i>Total current liabilities</i>	<i>843,963,769</i>	<i>24,544,462</i>	<i>720,438,608</i>	<i>19,851,889</i>
Non-current liabilities				
Accrued employee bonus	72,591,259	2,111,125	-	-
<i>Total non-current liabilities</i>	<i>72,591,259</i>	<i>2,111,125</i>	<i>-</i>	<i>-</i>
<i>Total Liabilities</i>	<i>916,555,028</i>	<i>26,655,587</i>	<i>720,438,608</i>	<i>19,851,889</i>
Shareholders' Equity				
Share capital - Issued and paid - up	1,039,520,600	35,308,137	520,000,000	20,392,157
Translation adjustment	97,894,767	6,281,925	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	129,085,794	3,536,413	144,278,576	3,952,632
Statutory reserve - the Company	103,952,060	2,796,328	52,000,000	1,304,730
Statutory reserve - subsidiaries	440,420,000	12,026,760	424,620,000	11,572,749
Treasury stock reserve	-	-	414,918,176	10,323,444
Retained Earnings	11,558,227,162	315,344,393	10,325,110,201	277,923,089
<i>Total equity attributable to the Company's shareholders</i>	<i>13,952,975,940</i>	<i>396,246,923</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>13,952,975,940</i>	<i>396,246,923</i>	<i>12,025,243,189</i>	<i>336,722,436</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	13,341,530	388,003	12,463,445	344,001
<i>Total Shareholders' Equity</i>	<i>13,966,317,470</i>	<i>396,634,926</i>	<i>12,037,706,634</i>	<i>337,066,437</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>14,882,872,498</i>	<i>423,290,513</i>	<i>12,758,145,242</i>	<i>356,918,326</i>

**Table 3: Consolidated Income Statement for the Three Month Period Ended
30th September 2007 and 2006**

Consolidated Income Statement	3 Months to 30/9/2007		3 Months to 30/9/2006	
	BAHT	US\$	BAHT	US\$
Revenues				
Hire income	1,730,047,635	50,709,998	1,873,599,334	49,366,824
Freight income	34,158,201	1,001,222	567,113,291	14,942,673
<i>Total vessel operating income</i>	<i>1,764,205,836</i>	<i>51,711,220</i>	<i>2,440,712,625</i>	<i>64,309,497</i>
Service income	944,833	27,694	4,270,609	112,525
Interest income	42,084,465	1,233,552	4,824,525	127,120
Other income	45,381	1,330	138,525	3,650
Share of profit (loss) from investment in associate held by a subsidiary	10,337,459	296,140	10,537,112	272,003
Exchange gains	-	82,399	11,236,439	11,758
<i>Total revenues</i>	<i>1,817,617,974</i>	<i>53,352,335</i>	<i>2,471,719,835</i>	<i>64,836,553</i>
Expenses				
Vessel running expenses	417,350,620	12,233,102	512,546,119	13,504,901
Voyage disbursements	8,525,417	249,891	85,519,965	2,253,336
Bunker consumption	2,445,092	71,669	146,893,005	3,870,433
<i>Total vessel operating costs</i>	<i>428,321,129</i>	<i>12,554,662</i>	<i>744,959,089</i>	<i>19,628,670</i>
Cost of services	5,344,869	156,665	10,329,563	272,170
Administrative expenses	84,692,184	2,482,441	67,074,589	1,767,325
Bad debt and allowance for doubtful accounts (reversal)	(4,160,987)	(118,528)	21,105,142	556,385
Depreciation	457,437,417	12,505,351	529,946,971	14,214,802
Loss on financial instruments	235,268,356	6,842,160	-	-
Exchange losses	28,839,375	-	-	-
<i>Total expenses</i>	<i>1,235,742,343</i>	<i>34,422,751</i>	<i>1,373,415,354</i>	<i>36,439,352</i>
<i>Income before interest and financial costs and corporate income tax</i>	<i>581,875,631</i>	<i>18,929,584</i>	<i>1,098,304,481</i>	<i>28,397,201</i>
Less: Interest and financial costs	(16,664,749)	(488,466)	(33,122,497)	(872,733)
Corporate income tax	(2,839,089)	(83,218)	-	-
<i>Income after corporate income tax</i>	<i>562,371,793</i>	<i>18,357,900</i>	<i>1,065,181,984</i>	<i>27,524,468</i>
Less: Net income attributable to minority interest	(2,211,875)	(64,833)	(500,752)	(13,194)
<i>Net income</i>	<i>560,159,918</i>	<i>18,293,067</i>	<i>1,064,681,232</i>	<i>27,511,274</i>
Statutory reserve - subsidiaries	-	-	(11,900,000)	(316,585)
Depreciation of revaluation surplus of fixed assets	5,120,117	140,270	-	-
Dividend paid	(519,684,800)	(15,220,384)	(506,132,700)	(13,475,814)
Retained earnings, Beginning of the period	11,512,631,927	312,131,440	9,262,554,850	249,799,892
<i>Retained earnings, Ending of the period</i>	<i>11,558,227,162</i>	<i>315,344,393</i>	<i>9,809,203,382</i>	<i>263,518,767</i>
Earnings per share	0.53	0.02	1.03	0.03

**Table 4: Consolidated Income Statement for the Nine Month Period Ended
30th September 2007 and 2006**

Consolidated Income Statement	9 Months to 30/9/2007		9 Months to 30/9/2006	
	BAHT	US\$	BAHT	US\$
Revenues				
Hire income	5,122,936,383	146,781,450	5,087,492,260	131,418,036
Freight income	259,918,115	7,345,764	1,648,539,299	42,685,871
<i>Total vessel operating income</i>	<i>5,382,854,498</i>	<i>154,127,214</i>	<i>6,736,031,559</i>	<i>174,103,907</i>
Service income	8,069,966	228,449	13,046,320	336,805
Interest income	112,527,373	3,241,641	17,954,460	464,209
Other income	1,201,261	34,137	3,555,500	89,778
Gain on sales of vessels and equipment	1,558,219,821	42,060,309	-	-
Share of profit (loss) from investment in associate held by a subsidiary	15,369,681	439,893	10,070,804	262,327
Exchange gains	-	416,477	150,105,499	132,322
<i>Total revenues</i>	<i>7,078,242,600</i>	<i>200,548,120</i>	<i>6,930,764,142</i>	<i>175,389,348</i>
Expenses				
Vessel running expenses	1,327,641,903	37,997,325	1,574,032,022	40,627,510
Voyage disbursements	34,925,482	987,846	283,889,130	7,332,187
Bunker consumption	49,840,729	1,403,872	418,929,656	10,842,428
<i>Total vessel operating costs</i>	<i>1,412,408,114</i>	<i>40,389,043</i>	<i>2,276,850,808</i>	<i>58,802,125</i>
Cost of services	20,884,563	597,374	21,214,566	549,287
Administrative expenses	287,153,050	8,251,578	175,758,814	4,545,484
Bad debt and allowance for doubtful accounts	4,541,696	129,654	23,905,500	628,988
Depreciation	1,370,246,568	37,209,482	1,569,034,463	42,157,420
Loss on financial instruments	235,268,356	6,842,160	-	-
Exchange losses	157,161,149	-	-	-
<i>Total expenses</i>	<i>3,487,663,496</i>	<i>93,419,291</i>	<i>4,066,764,151</i>	<i>106,683,304</i>
<i>Income before interest and financial costs and corporate income tax</i>	<i>3,590,579,104</i>	<i>107,128,829</i>	<i>2,863,999,991</i>	<i>68,706,044</i>
Less: Interest and financial costs	(56,763,230)	(1,629,843)	(135,661,703)	(3,480,464)
Corporate income tax	(2,839,088)	(83,218)	-	-
<i>Income after corporate income tax</i>	<i>3,530,976,786</i>	<i>105,415,768</i>	<i>2,728,338,288</i>	<i>65,225,580</i>
Less: Net income attributable to minority interest	(5,305,115)	(152,774)	(5,569,823)	(142,478)
<i>Net income</i>	<i>3,525,671,671</i>	<i>105,262,994</i>	<i>2,722,768,465</i>	<i>65,083,102</i>
Treasury stock reserve - reverse	414,918,176	10,323,444	-	-
Statutory reserve - the Company	(51,952,060)	(1,491,598)	-	-
Statutory reserve - subsidiaries	(15,800,000)	(454,012)	(18,610,000)	(487,461)
Depreciation of revaluation surplus of fixed assets	15,193,390	416,236	-	-
Dividend paid	(2,654,914,216)	(76,635,760)	(1,290,636,835)	(34,150,747)
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>11,558,227,162</i>	<i>315,344,393</i>	<i>9,809,203,382</i>	<i>263,518,767</i>
Earnings per share	3.40	0.10	2.65	0.07

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.
- 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 months ended September 30th, 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

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

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.
- Loss on financial instruments is converted at Baht to US dollar selling rate as of the balance sheet date.