



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

Precious Shipping Public Company Limited
USD Restatement Report for Twelve Months
Ended 31st December 2006

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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 gives no opinion on the financial statements. This is only a restatement of the THB audited financial statements into USD’s.

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 twelve-month period ended 31st December 2006. In undertaking the above, BTCAS was accorded the full assistance and co-operation of the PSL staff and management.

The restated USD Balance Sheet as at 31st December 2006 indicates that the total assets and liabilities of PSL were USD 357 million and USD 20 million, respectively. The equity of PSL as at 31st December 2006 was therefore USD 337 million.

In relation to the income statement, PSL’s total revenues and expenses, excluding interest and finance costs, for the twelve months ended 31st December 2006 were USD 239 million and USD 142 million, respectively. Net income, after including such items as interest and finance costs totaling USD 4 million, equals USD 93 million. The retained earnings at the end of the period stood at USD 278 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 December 2006– Assets

Assets	31/12/2006		31/12/2005	
	THB	USD	THB	USD
Current assets				
Cash and cash equivalents	1,258,574,577	35,003,673	738,622,662	18,022,836
Trade accounts receivable - net	101,106,910	2,812,001	176,402,542	4,304,328
Bunker oil	43,614,009	1,213,000	63,433,373	1,547,812
Other current assets	199,670,299	5,553,261	188,480,739	4,599,043
<i>Total current assets</i>	<i>1,602,965,795</i>	<i>44,581,935</i>	<i>1,166,939,316</i>	<i>28,474,019</i>
Non-current assets				
Investments accounted for under equity method	119,767,616	2,855,228	113,305,776	2,677,078
Other long-term investment	10,130,430	260,212	-	-
Fixed assets at cost				
Vessels and Vessels Equipment	18,092,031,980	552,939,745	18,075,281,129	552,480,091
Drydock and special survey	1,488,085,459	37,545,546	1,330,055,394	32,816,634
Office equipment	18,837,972	523,925	15,472,539	377,539
Leasehold improvement	12,998,873	361,527	2,773,880	67,684
Vehicles	17,907,807	498,055	17,691,807	431,691
Buildings and improvement	325,977,795	11,078,023	181,693,446	7,125,233
Furniture and fixtures	24,648,932	685,540	17,614,732	429,810
Work in progress	37,599,722	1,045,729	47,799,578	1,166,338
<i>Total</i>	<i>20,018,088,540</i>	<i>604,678,090</i>	<i>19,688,382,505</i>	<i>594,895,020</i>
Less: Accumulated depreciation	(8,994,236,845)	(295,496,902)	(7,191,634,837)	(246,152,441)
<i>Total Fixed assets - net</i>	<i>11,023,851,695</i>	<i>309,181,188</i>	<i>12,496,747,668</i>	<i>348,742,579</i>
Other non-current assets	1,429,706	39,763	3,615,540	88,221
<i>Total non-current assets</i>	<i>11,155,179,447</i>	<i>312,336,391</i>	<i>12,613,668,984</i>	<i>351,507,878</i>
<i>Total Assets</i>	<i>12,758,145,242</i>	<i>356,918,326</i>	<i>13,780,608,300</i>	<i>379,981,897</i>

Table 2 : Consolidated Balance Sheet as at 31st December 2006– Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity	31/12/2006		31/12/22005	
	THB	USD	THB	USD
Liabilities				
Current liabilities				
Trade accounts payable	82,603,363	2,279,921	117,581,885	2,855,690
Advances received from vessel sales	160,060,832	4,385,000	-	-
Advances received from charterers	176,407,290	4,868,987	125,615,195	3,050,793
Other current liabilities	301,367,123	8,317,981	297,738,452	7,231,119
<i>Total current liabilities</i>	<i>720,438,608</i>	<i>19,851,889</i>	<i>540,935,532</i>	<i>13,137,602</i>
Non-current liabilities				
Long - term loans	-	-	3,293,967,999	80,000,000
<i>Total non-current liabilities</i>	<i>-</i>	<i>-</i>	<i>3,293,967,999</i>	<i>80,000,000</i>
<i>Total Liabilities</i>	<i>720,438,608</i>	<i>19,851,889</i>	<i>3,834,903,531</i>	<i>93,137,602</i>
Shareholders' Equity				
Share capital - issued and paid - up	520,000,000	20,392,157	520,000,000	20,392,157
Translation adjustment	126,689,683	4,864,116	161,698,471	4,902,595
Premium on ordinary shares	411,429,745	16,134,500	411,429,745	16,134,500
Premium on treasury stock	21,114,984	578,463	-	-
Revaluation surplus on assets of subsidiary	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	424,620,000	11,572,749	399,010,000	10,893,517
Treasury stock reserve	414,918,176	10,323,444	450,880,716	11,218,216
Retained Earnings	10,325,110,201	277,923,089	8,395,681,752	233,073,873
<i>Total equity attributable to the Company's shareholders</i>	<i>12,440,161,365</i>	<i>347,045,880</i>	<i>10,390,700,684</i>	<i>297,919,588</i>
Less: Treasury stock	(414,918,176)	(10,323,444)	(450,880,716)	(11,218,216)
<i>Equity attributable to the Company's shareholders - net</i>	<i>12,025,243,189</i>	<i>336,722,436</i>	<i>9,939,819,968</i>	<i>286,701,372</i>
Minority interest - equity attributable to minority shareholders of subsidiaries	12,463,445	344,001	5,884,801	142,923
<i>Total Shareholders' Equity</i>	<i>12,037,706,634</i>	<i>337,066,437</i>	<i>9,945,704,769</i>	<i>286,844,295</i>
<i>Total Liabilities and Shareholders' Equity</i>	<i>12,758,145,242</i>	<i>356,918,326</i>	<i>13,780,608,300</i>	<i>379,981,897</i>

Table 3: Consolidated Income Statement for Twelve Months Ended 31st December 2006

Consolidated Income Statement	12 Months to 31/12/2006		Fourth Quarter 2006		12 Months to 31/12/2005	
	THB	USD	THB	USD	THB	USD
Revenues						
Vessel operating income	9,056,303,035	236,715,462	2,320,271,476	62,611,554	11,006,816,578	274,996,143
Service income	20,207,808	530,054	7,161,488	193,250	24,014,938	597,935
Interest income	27,983,874	734,438	9,384,084	253,226	36,390,460	911,952
Exchange gains	122,837,200	119,414	-	-	-	-
Other income	3,549,881	90,040	643,975	17,377	5,262,965	128,796
Share of profit from investments accounted for under equity method	19,875,074	518,185	9,804,269	255,857	18,260,676	458,114
<i>Total revenues</i>	<i>9,250,756,872</i>	<i>238,707,593</i>	<i>2,347,265,292</i>	<i>63,331,264</i>	<i>11,090,745,617</i>	<i>277,092,940</i>
Expenses						
Vessel running expenses	2,120,077,863	55,362,329	546,045,840	14,734,818	1,984,275,808	49,476,404
Voyage disbursements	340,215,729	8,852,137	56,326,599	1,519,950	153,510,628	3,762,004
Bunker consumption	489,688,978	12,751,839	70,759,322	1,909,411	151,165,533	3,702,762
<i>Total vessel operating costs</i>	<i>2,949,982,570</i>	<i>76,966,305</i>	<i>673,131,761</i>	<i>18,164,179</i>	<i>2,288,951,969</i>	<i>56,941,170</i>
Cost of services	31,658,084	831,100	10,443,518	281,814	23,188,287	576,397
Administrative expenses	278,123,001	7,307,742	102,368,450	2,762,369	267,733,503	6,661,471
Bad debt and allowance for doubtful accounts	31,814,057	844,791	7,908,556	215,803	17,183,476	415,892
Allowance for loss on current investments (Reversal)	-	-	-	-	(146,123,966)	(3,925,211)
Loss on sales of current investments	-	-	-	-	24,184,706	773,338
Exchange losses	-	-	27,268,299	12,909	161,686,785	130,344
Depreciation	2,093,430,137	56,250,647	524,395,675	14,093,227	1,874,594,367	51,284,550
<i>Total expenses</i>	<i>5,385,007,849</i>	<i>142,200,585</i>	<i>1,345,516,259</i>	<i>35,530,301</i>	<i>4,511,399,127</i>	<i>112,857,951</i>
<i>Earnings before interest and financial costs</i>	<i>3,865,749,023</i>	<i>96,507,008</i>	<i>1,001,749,033</i>	<i>27,800,963</i>	<i>6,579,346,490</i>	<i>164,234,989</i>

Consolidated Income Statement	12 Months to 31/12/2006		Fourth Quarter 2006		12 Months to 31/12/2005	
	THB	USD	THB	USD	THB	USD
<i>Earnings before interest and financial costs</i>	3,865,749,023	96,507,008	1,001,749,033	27,800,963	6,579,346,490	164,234,989
Less: Interest and financial costs	(144,053,394)	(3,706,911)	(8,391,691)	(226,446)	(392,158,580)	(9,753,629)
<i>Earnings before minority interest</i>	3,721,695,629	92,800,097	993,357,342	27,574,517	6,187,187,910	154,481,360
Less: Net earnings of minority interest	(6,572,873)	(169,545)	(1,003,050)	(27,067)	(10,581,192)	(263,135)
<i>Net earnings</i>	3,715,122,756	92,630,552	992,354,292	27,547,450	6,176,606,718	154,218,225
Treasury stock reserve	35,962,540	894,772	35,962,539	894,772	-	-
Statutory reserve-subsidaries	(25,610,000)	(679,232)	(7,000,000)	(191,771)	(106,910,000)	(2,702,298)
Dividend paid	(1,796,046,847)	(47,996,876)	(505,410,012)	(13,846,129)	(1,543,657,175)	(38,321,753)
Retained earnings, Beginning of the period	8,395,681,752	233,073,873	9,809,203,382	263,518,767	3,869,642,209	119,879,699
<i>Retained earnings, Ending of the period</i>	10,325,110,201	277,923,089	10,325,110,201	277,923,089	8,395,681,752	233,073,873
Earnings per share	7.33	0.18	1.96	0.05	12.19	0.30

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, advances received from charterers, and advances received from vessel sales 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 December 2006 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 December 2006 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 December 2006 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 December 2006, 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 30th September 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 October 2006.

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 July is applied as the basis for the month of August figure.

- 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.

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.