



B R O A D E N I N G H O R I Z O N S

ANNUAL REPORT 2006

PST PACIFIC SHIPPING TRUST

B R O A D E N I N G H O R I Z O N S

ANNUAL REPORT 2006



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TRUST OBJECTIVE

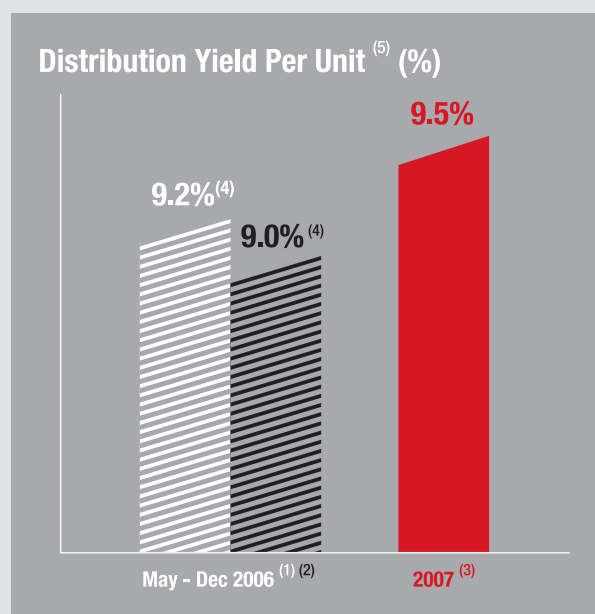
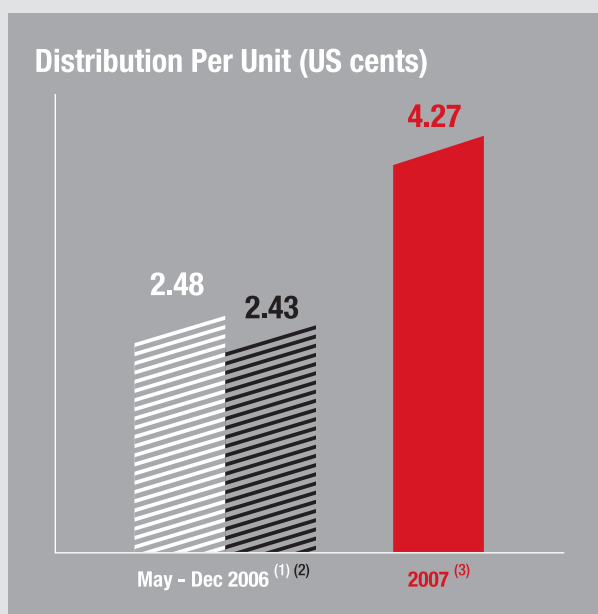
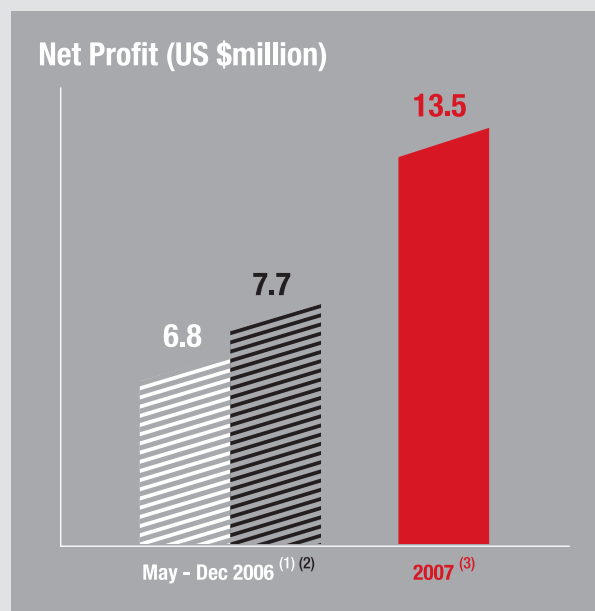
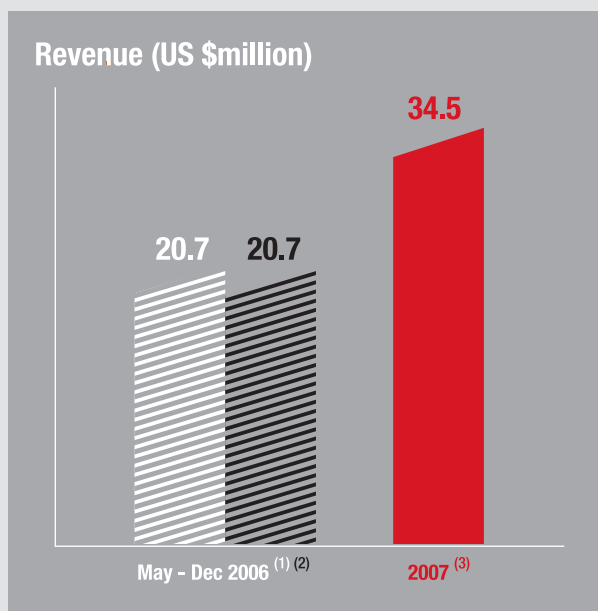
Pacific Shipping Trust (“PST”) is the first registered shipping business trust to be established in Singapore. It seeks as its principal objective to provide investors with a steady return on investment, as well as potential for capital appreciation by acquiring quality vessels and chartering them to reputable charterers on terms which yield regular income stream.

PST is able to offer bareboat charters, time-charters, sale and lease-back arrangements and finance leases.

As the trustee-manager of PST, PST Management Pte. Ltd. plans to achieve its principal objective by :

- Identifying suitable charterers, determining their vessel requirements and judiciously assembling a fleet of vessels to meet their diverse needs.
- Building and managing a base of established and credit-worthy charterers.
- Actively managing capital and risks to improve efficiency and employing the most favourable combination of equity and debt to finance future acquisitions.

FINANCIAL HIGHLIGHTS



 **Actual**
 **Forecast**
 **Projection**

FINANCIAL SUMMARY

as at 31 December 2006

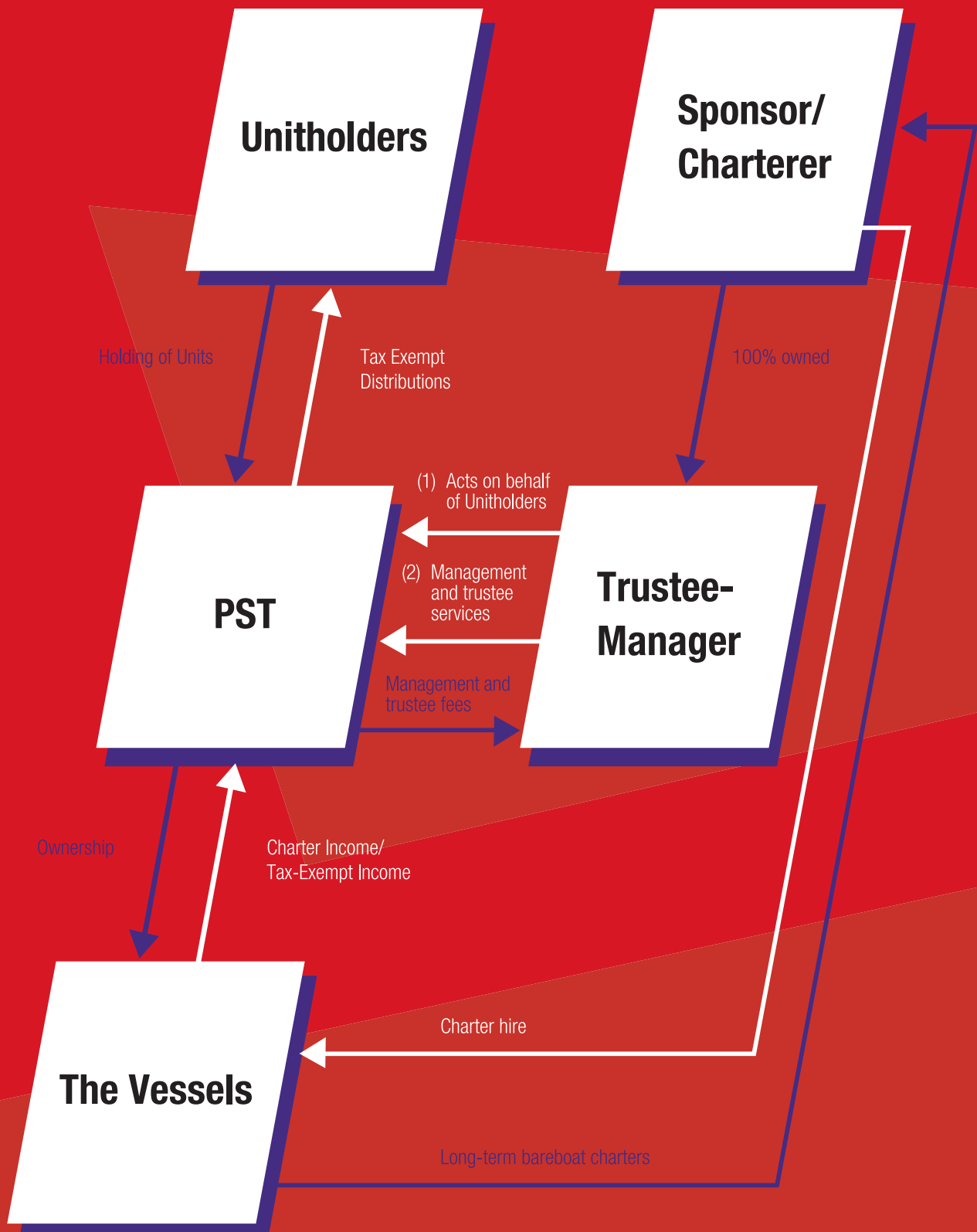
Total assets	US\$272.0m
Total liabilities	US\$123.3m
Unitholders' equity	US\$148.6m
Net asset value per unit	US\$0.44 per unit
Total borrowing	US\$120.3m
Gearing ratio	81%
Debt-to-asset ratio	44%

Notes:

- Figures for 2006 Actual are for operating period of about 7 months, from 26 May 2006 to 31 Dec 2006.
- Figures for 2006 Forecast are derived by prorating the forecast figures, together with the accompanying assumptions, as disclosed in the prospectus dated 19 May 2006.
- Figures for 2007 Projection are based on the projection figures, together with the accompanying assumptions, as disclosed in the prospectus dated 19 May 2006.
- Annualised.
- Based on issue price of US\$0.45.

TRUST STRUCTURE

The following diagram illustrates the relationship between PST, the Trustee-Manager, the Sponsor/Charterer and Unitholders. PST is principally regulated by the Singapore Business Trusts Act and the Singapore Securities and Futures Act, and under the Trust Deed, the Trustee-Manager will hold vessels acquired on trust for Unitholders as the trustee-manager of PST.



OPERATIONS & FINANCIAL REVIEW

1. OPERATIONS REVIEW

On 26 May 2006, which was the date of PST's listing on the SGX-ST, PST completed its acquisition of eight container vessels from Pacific International Lines (Private) Limited ("PIL", also the "Sponsor"). PST's initial portfolio comprised these eight vessels, which consisted of two Panamax container vessels and six Handysize container vessels with an aggregate capacity of 13,864 TEU.

These eight vessels were bareboat chartered to PIL (also the "Charterer") at fixed charter rates for periods between eight and 10 years, minimizing PST's risk exposure and providing it with stable income. The Charterer is liable for all operating costs and expenses during the tenures of the charters.

A summary of the employment of PST's vessels is set out below:

Name of vessels	Annual charter income US\$'000	Cost US\$'000	Carrying value US\$'000	Remaining term of charter Year
Kota Kado	6,460	53,183	51,854	8.4
Kota Kaya	6,461	53,183	51,864	8.4
Kota Anggerik	4,015	29,366	28,374	7.4
Kota Anggun	4,015	29,366	28,388	7.4
Kota Arif	4,015	29,366	28,393	7.4
Kota Azam	4,015	29,366	28,406	7.4
Kota Rajin	2,774	23,585	22,998	9.4
Kota Rancak	2,774	23,585	23,004	9.4
	<u>34,529</u>	<u>271,000</u>	<u>263,281</u>	

2. FINANCIAL REVIEW

The gross revenue at US\$20.7 million for the financial period (approx. 7 months) was consistent with the 2006 forecast results as disclosed in the prospectus dated 19 May 2006 ("Forecast"). This was derived from the bareboat charter income of the existing eight container vessels, which had been contracted for tenures of eight to 10 years.

Finance income comprised interest income and gains from interest rate swaps settlements. Interest income of US\$0.25 million was derived from deposits placed with banks for efficient cashflow management.

Borrowing costs based on the floating interests rates were US\$4.6 million but after taking into consideration the gains from interest rate swaps settlements of US\$0.12 million, the net interest expense for the financial period would be a fixed rate of 5.97% p.a.. The interest rate swaps commenced from 30 June 2006 and have tenures ranging from eight to 10 years.

Other trust expenses of US\$0.31 million comprised mainly marketing and communications, public relations, professional fees, regulatory fees, trustee fee, printing and administrative expenses.

Net profit after tax of US\$6.8 million for the financial period was lower than the Forecast by 11%. This was mainly because of the net loss of US\$0.78 million in fair value of the interest rate swaps during the financial period. The Forecast had assumed no change in the fair value of the derivatives. These fair value losses have no impact on distributable income.

3. BUSINESS OUTLOOK

Global Economy

Global GDP growth is projected by the International Monetary Fund to be 4.9% for full year 2007, down from the 5.3% registered for 2006. Globalisation is predicted by the World Bank to spur faster growth in average incomes in the next 25 years compared with the period 1980-2005, with developing countries playing a central role. China and India led global economic growth in 2006, and are expected to continue to do so in 2007.

The growing trade between China and India could bring two of the world's fastest growing economies closer than ever, improving growth dynamics altogether. The Eurozone economy expanded at the fastest pace in six years during 2006, and growth is expected to remain above 2% this year.

Meanwhile, the US economy grew marginally in 2006 to 3.3% from 3.2% in 2005, driven by higher personal consumption and exports.

Container

The second half of 2006 witnessed what some analysts described as a "healthy correction" in the time charter market. The average drop was in the region of 20-25% but this was not uniformly spread across each sector.

The decline has since leveled off and at the start of 2007, we are seeing a gradual increase both in charter rates as well as in enquiries.

During 2007 and 2008, and indeed possibly through part of 2009, the supply of tonnage will, however, likely exceed demand and hence charter rates are expected to be under some pressure. Accordingly, we see average rates for 2007 and 2008 falling below the levels registered during 2006.

Charter rates are now down to levels where they are much easier for lines to begin thinking about new services. We have seen encouraging signs recently that some are already trying to implement this.

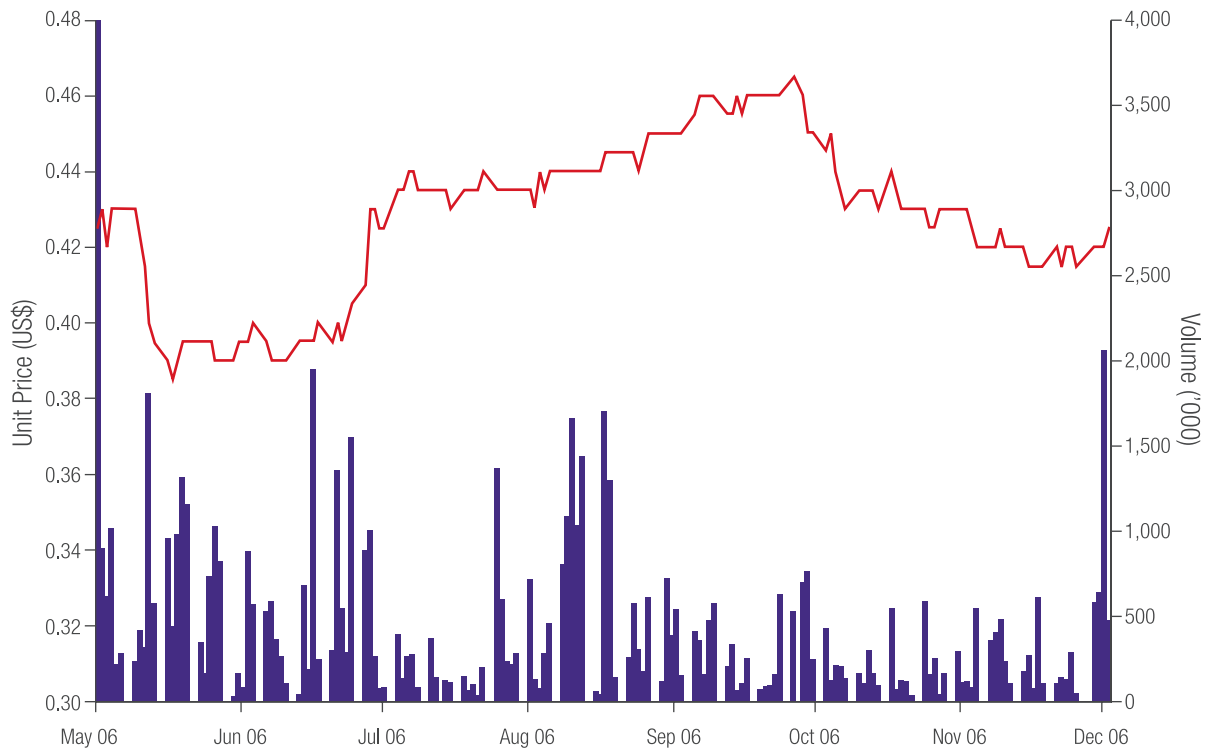
Bulk Carrier and Tanker

In contrast to the container market, both the dry bulk as well as the tanker segment displayed considerable resilience. Tanker and bulk carrier rates either held firm or continued to rise.

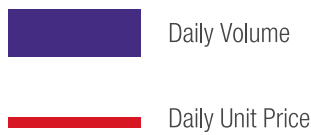
Growth in total dry bulk trade is estimated to decelerate slightly to reach almost 3 billion tonnes, due to slower economic growth expected in 2007. In 2006, year-on-year growth in total dry bulk trade was 4.9%. The tonne-miles (weight of dry bulk cargo x distance shipped) are growing slightly due to higher growth in the longer trade routes. This would translate to a greater demand for tonnage.

4. UNIT ACTIVITY SINCE IPO

PST UNIT PRICE AND VOLUME



Source: Bloomberg



From 26 May to 31 December 2006

- Opening price (IPO) – US\$0.450
- Closing price (29 December 2006) – US\$0.425
- High (25 October 2006) – US\$0.465
- Low (23 June 2006) – US\$0.385
- Total volume traded – 114.3 million units

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EXPERTISE





Mr Benedict Kwek Gim Song
Chairman

CHAIRMAN'S STATEMENT

2006 was an eventful year for Pacific Shipping Trust ("PST"). Our successful listing on the Singapore Exchange marked the debut of a new asset class in Singapore. PST offers the hybrid benefits of a fixed-income instrument, with its predictable, stable returns, and that of an equity investment, with potential for capital appreciation.

At a time of investor scepticism over the volatility of shipping stocks, we came out on the promise of providing a steady return to investors amid the cyclical nature of the maritime industry. PST went public in May 2006 with an offering of 222 million units to institutional and retail investors. The issue, coming in the wake of a stock market slide, nevertheless was over subscribed and raised US\$99.9 million for the Trust.

We are delighted that since listing, we have been able to deliver what we promised our investors. Total income distribution to Unitholders since the listing amounted to US\$0.0248 per unit, which, based on the IPO price of US\$0.45 per unit, worked out to an annualised tax-free yield of 9.2% or two per cent higher than the IPO projection.

Not only have we exceeded our IPO projection, we believe that our tax-free yield is very attractive compared with many fixed-income investments of similar risk profile. The results reaffirmed our business model and gave us confidence that the returns versus the risks to investors are both acceptable and attractive.

Industry outlook

We entered 2007 to mixed views on the outlook for the shipping industry. Some forecasts were predicting double-digit growth in freight rates, underpinned by global trade and increased globalisation, while others were expecting excess capacity to intensify competition and drive rates down.

We are cautiously optimistic about the global economic outlook, particularly as interest rates and inflation are expected to remain benign. The two Asian emerging giants, namely, China and India, are likely to enjoy double-digit economic growth again this year which will further help boost global trade.

Sector wise, we expect to see more pressure on charter and box rates for container ships as new supplies, especially in the post-panamax category, come onstream between now and 2008. Asset prices for container ships are, however, at historic highs, making it challenging to secure charter cover, particularly on a short-term basis.

The outlook for tankers and bulk carriers appears more sanguine and the Board supports the move to diversify PST's customer base into these two sectors. Since the markets for the different vessels do not move in tandem, a broad based portfolio has the advantage of providing a natural hedge against cyclicity in one market.

Stable Income

Unitholders should rest assured that any declines either on charter or freight rates will not affect PST's existing charters of eight ships as their rates are locked in for between eight and 10 years, thus insulating PST from the vagaries of the market.

To further minimise risk exposure to Unitholders, PST has also made it a policy to secure charter cover for all vessels acquired.

The predictability of our current stream of charter income from the vessels leased to Pacific International Lines, our IPO sponsor, will provide the foundation to grow our business in line with the growth strategy outlined in the prospectus. We are confident that barring unforeseen circumstances, we have a solid base upon which PST can grow its revenue in the coming years.

Financial Review

For the financial period ended December 31, 2006 ("FY 06"), which covered a seven-month operating period since the listing of PST in May 2006, PST reported net profits of US\$6.8 million on gross revenue of US\$20.7 million. We have exceeded IPO projection largely through efficient cost management, a discipline we will adhere to.

Our balance sheet remains strong and our cash flow is healthy. We expect to maintain our conservative ratios in the financing of future vessel acquisitions.

We will maintain our stated policy of distributing 100% of our distributable income in the first two years. Total income distributed for FY 06 amounted to US\$8.37 million.

Prospects for 2007

In the current financial year ending 31 December 2007, we aim to achieve capital growth for Unitholders through yield-accretive acquisitions that will provide diversity to our fleet and customer base. This strategy of asset class diversification is in line with the demand and supply situation in the bulk, tanker and container segments. The charter rates for bulk carriers and tankers continue to be firm, while container rates are showing signs of recovery. In the meantime, prices of ships have also moved up in line with demand and firmness of steel prices.

However, we see better prospects this year for the sale and leaseback business if freight rates, as expected, soften, putting shipping revenues under pressure. With new deliveries coming onstream, operators may be more inclined to fund their new capacity through means that will not tie up excessive cash in fixed assets. They will also wish to maintain a high level of financial flexibility to weather any downturn following some spectacular years for container transport.

With the growth in global trade, we are optimistic in meeting revenues and distributable income for financial year 2007 as projected in our IPO prospectus.

Acknowledgements

On behalf of the Board, I would like to thank our customers, business associates and Unitholders for their unstinting support of PST since its formation. And to my fellow directors, their wise counsel and generosity of spirit and time are greatly appreciated. Last but not least, I am also grateful to the management and staff of the Trustee-Manager for steering PST through a very successful first year as a listed entity.



Mr Benedict Kwek Gim Song

Chairman

28 March 2007

BOARD OF DIRECTORS



1. **Mr Benedict Kwek Gim Song** **Chairman & Independent Director**

He began his career at Citibank Singapore in 1970 and rose to become the Head of South Asia for global private banking. He left Citibank in 1988 to head AFC Merchant Bank before becoming the President and CEO of Keppel TatLee Bank from 1991 to 2001.

Mr Kwek serves on the boards of several companies including Ascendas-MGM Funds Management and NTUC Choice Homes Co-operative. He holds a Bachelor of Social Sciences (Hons) degree from the University of Singapore and also attended the Advanced Management Programme at Columbia University in 1981. Appointed director on 7 April 2006.

2. **Mr David Chin Soon Siong** **Independent Director**

He is the Executive Director of the Singapore Maritime Foundation and a Consultant (Trade) of the Ministry of Trade and Industry.

He started his career as an apprentice in a ship repair yard before moving into management roles. He joined the government service in 1985 and was made the Deputy Chief Executive Officer of the Trade Development Board in 1994. Mr Chin retired as the Director-General (Trade) of the Ministry of Trade and Industry in 2006. He holds a first class, honours degree in Mechanical Engineering from Newcastle-Upon-Tyne Polytechnic, UK. Appointed director on 7 April 2006.



3. **Mr Lee Son Hoon** **Independent Director**

A Chartered Accountant, he is the Managing Director of Phillip Lee Management Consultants Pte Ltd. Prior to setting up his own firm, he worked at Ernst & Young Singapore for 28 years, of which he was a partner for the last 19 years. Mr Lee has vast experience in the areas of audit, investigation, reorganisation, valuation and liquidation. He serves on the boards of several companies including CSE Global Ltd, GK Goh Holdings Ltd, IPC Corporation Ltd and Transview Holdings Ltd. Appointed director on 7 April 2006.





4. Mr Eugene Ooi Chin Chai Independent Director

He is a partner in the law firm Allen & Gledhill where he co-heads its Banking Practice Group and leads its Islamic Finance Practice Group. His practice primarily involves advising and acting for financial institutions and companies on lending and general banking matters, project and acquisition financing and debt restructuring.

Mr Ooi graduated with an LLB (Hons) degree from the London School of Economics in 1977 and began his career with Bank of America in Singapore, specialising in ship financing and lending to the petrochemical industry. Before joining Allen & Gledhill in 1989, his practice included admiralty law. Appointed director on 4 October 2006.

5. Mr Jones Christopher Adrian Independent Director

He started his ship broking career at H. Clarkson in London in 1971 and worked in its Paris office before joining Simpson Spence and Young in London. He set up Simpson Spence and Young's offices in Singapore and Jakarta prior to becoming a partner in the firm. Mr Jones is now a full time director of Island Shipbrokers, a leading Singapore broking company. His particular expertise is in the sale, purchase, new construction and valuation of all types of vessels. Appointed director on 9 February 2007.



6. Mr Kuan Kim Kin Director

An executive director of the finance division of Pacific International Lines (Private) Limited ("PIL") since 7 June 2004, he joined PIL 12 years ago. Prior to that, he held a number of senior financial and accounting positions across diverse business groups, including two public listed companies in Malaysia.

Mr Kuan is a non-executive director of Hong Kong-listed Singamas Container Holdings Limited and a member of its audit committee and remuneration committee. Appointed director on 24 February 2006.



7. Mr Teo Choo Wee **Director**

He held a number of senior management positions in manufacturing and trading firms before joining PIL in 2002 as an Assistant General Manager for fleet management. He is also responsible for the sale and purchase of vessels and bunker risk management.

Mr Teo was previously a director of Maya Manufacturing & Trading Co. Pte Ltd, Maya Woodbase Pte Ltd, S.T.M. Investments Pte Ltd, and Sumi-Maya Holdings Pte Ltd. Appointed director on 4 October 2006



8. Mr Subhangshu Dutt **CEO & Director**

He is a Master Mariner with over 35 years of maritime industry experience. He has held various senior management and executive positions within PIL.

Prior to joining PIL, Mr Dutt served as a sea going officer and Master with Neptune Orient Lines and was also a sea going cadet and officer with Shipping Corporation of India. He holds a Master's Foreign Going License and is Vice Chairman of the Institute of Chartered Shipbrokers in Singapore. He is also a member of the Maritime Innovation and Technology Fund Approving Committee of the Maritime Port Authority of Singapore. Appointed director on 24 February 2006.

b r o a d e n i n g



RELATIONSHIPS





Mr Subhangshu Dutt
Chief Executive Officer

CEO'S REPORT

It was an extraordinary first year for everyone connected with Pacific Shipping Trust ("PST"), not least because of the pioneering nature of our listing, but also due to the dynamic nature of the global shipping industry.

I take pride in announcing that our first year's operation has been predictably satisfactory for PST, its management and its sponsor.

Our stock exchange listing in May 2006 came on the strength of acquiring eight container vessels from our sponsor, Pacific International Lines (Private) Limited ("PIL"), the largest private shipping company in Singapore and ranked 19th amongst the world's container lines.

The vessels were leased back on long-term bareboat charters to PIL.

As the global container market appears to be heading for a period of relative uncertainty, we believe our model will have even greater relevance to operators seeking to lighten their balance sheets by monetising their assets, yet retaining full operational control.

While our current fleet comprises primarily container vessels, we recognise the strengths of the other segments in the industry, namely bulk carriers, tankers and offshore vessels, and we actively seek to make yield-accretive investments in these sectors as well.

Our growth strategy in the coming years will result in a diversified portfolio of asset classes. We also aim to have a diversified portfolio of charterers, thereby mitigating the perceived counter-party risk of a single charterer, our sponsor. This will further underscore the confidence our investors have placed in us, and demonstrate PST's ability to serve as a vehicle for the entire shipping industry and not just our sponsor.

During 2007, we shall continue to scan the horizon for acquisitions in our effort to diversify and expand our fleet. A significant factor in favour of our expansion strategy is that we can leverage PIL's relationships in the shipping industry to achieve our growth targets.

Looking back on our first year of operations, the start of 2006 saw caution return to the container shipping markets after the boom years of 2003-2005. This was not entirely unexpected and as the year progressed, freight rates continued to level off or decline.

However, these factors will not have any impact on PST's income and distributions due to the long-term charters we have in place for the next twelve months and beyond. Our Unitholders will draw satisfaction from the fact that we were able to surpass our projected yield in the year 2006. This was achieved through efficient cost management, which we will continue to practise regardless of our profitability levels.

The downturn in the container market, which we witnessed during the second half of 2006, appears to have leveled out and we believe that, having come through that uncertainty, PST is now in a position to exploit business opportunities that are expected to arise.

It is noteworthy to mention that we are the first publicly listed trust to take advantage of Singapore's Maritime Finance Incentive Scheme. The tax incentives as well as the wide range of charter possibilities offered under this Scheme will significantly enhance the business activities of PST as we expand the business beyond the region.

We believe that potential charterers are now able to recognise the full worth of some of our favourable and distinguishing features when compared with similar structures that exist in Germany, Norway, Korea and the UK, to name a few.

As a young company with a relatively short track record, we acknowledge that it will take time and patience to build up our reputation in the global marketplace. Shipping, after all, is the ultimate long-term focused venture. We are convinced that the intrinsic strengths of our business idea combined with the calibre of our staff and the dynamism of our sponsor will fuel our growth in the coming years.

We believe our model is resilient and can withstand the ups and downs of the shipping cycle. We aim to diversify from being a 'pure container vessel' play, a shift which will further stabilise the returns to our investors, as we recognise that the market cycles of the different segments do not move in tandem. I would like to take this opportunity to thank each and everyone who has supported PST in our first year of operation. Our primary goal is to serve our customers and produce the returns we promised our investors. For me, it has been a satisfying first step to a long and rewarding journey.



Mr Subhangshu Dutt

CEO

28 March 2007

PRINCIPAL OFFICERS

Ms Eunice Ng

Finance Manager

Eunice is a Finance Manager, as well as the Company Secretary of PST Management Pte. Ltd.

Currently, Eunice oversees the finance team in the preparation of the financial statements, dealing with tax issues and liaising with auditors, bankers and lawyers.

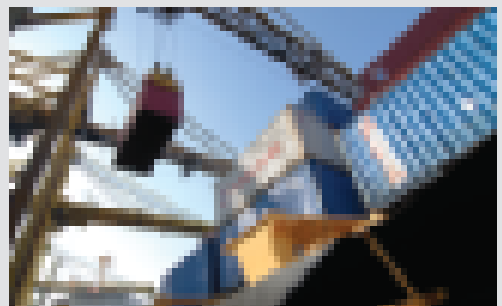
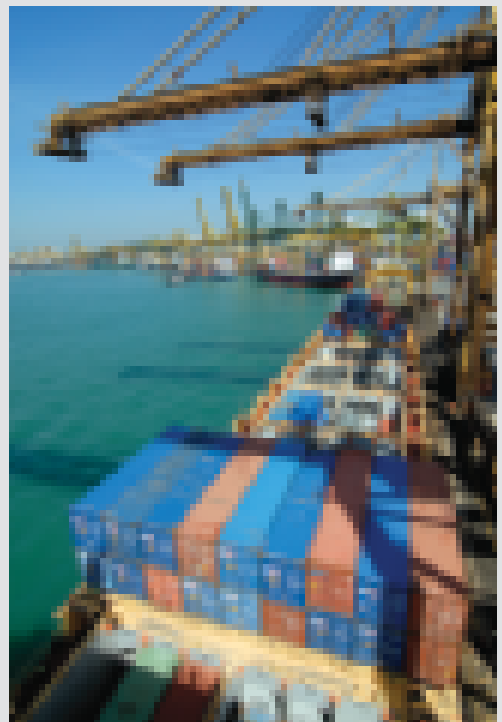
Eunice was an accounting manager with PIL, responsible for the consolidation of the PIL Group's accounts. She also handled matters relating to PIL's tax affairs, cash flows and other operational functions. Prior to joining PIL, she was with one of the Big Four public accounting firms and handled the audit of public listed companies in diverse industries, such as information technology, manufacturing, trading, utilities and construction. Before her auditing career, Eunice was with an offshore bank as a credit analyst.

Eunice is a Chartered Financial Analyst, Certified Public Accountant and is also a Certified Internal Auditor. She holds a Bachelor's degree in Accountancy from the Nanyang Technological University of Singapore.

Mr Ricky Korompis

Investor Relations Manager

Ricky Korompis came from a diverse background of profession and academia. Aside from having worked as a project finance senior associate at a law-firm in Jakarta, Ricky had also served as an investor and government relations professional, as well as a brief stint as a portfolio manager at a major bank in New York City. Altogether, he has 18 plus years of work experience in a range of industry from banking to legal services, and from property to transportation finance. Ricky holds a BA in Mass Communication (Indonesia), an MBA in Banking and Finance (San Francisco) and an LLM in International Economic Law (Edinburgh).



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INVESTMENTS



FLEET PORTFOLIO

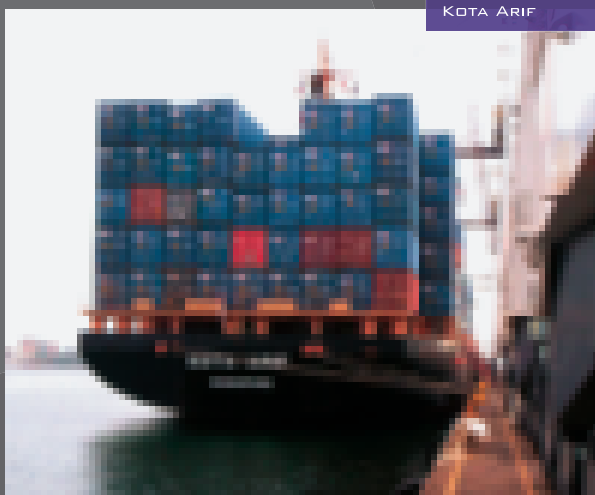
Name of Vessel	Kota Kado	Kota Kaya	Kota Arif	Kota Azam
Built (Year of Delivery)	2005	2005	1999	1999
Flag	Singapore	Singapore	Singapore	Singapore
IMO No./ L.R. NO	9307396	9307401	9175614	9182033
Class	NKK	NKK	LR	LR
Length (LOA) (Metres)	232.5	232.5	182.83	182.83
Gross Tonnage ("GT")	31070	31070	17652	17652
Net Tonnage ("NT")	15648	15648	8156	8156
Deadweight Summer ("MT")	39906	39932	23849	23825
Draft summer (Metres)	11.728	11.728	9.53	9.53
Capacity (TEU)	3081	3081	1454	1454
Effective TEUs @ 14MT	2040	2040	1160	1160
Brake Horsepower ("BHP")	21735	21735	11680	11680
Speed (Knots)	22	22	19	19
Fuel Consumption (MT/Day)	83.2	83.2	46.5	46.5
Cargo Gear ("MT")	Gearless	Gearless	2 x 40	2 x 40



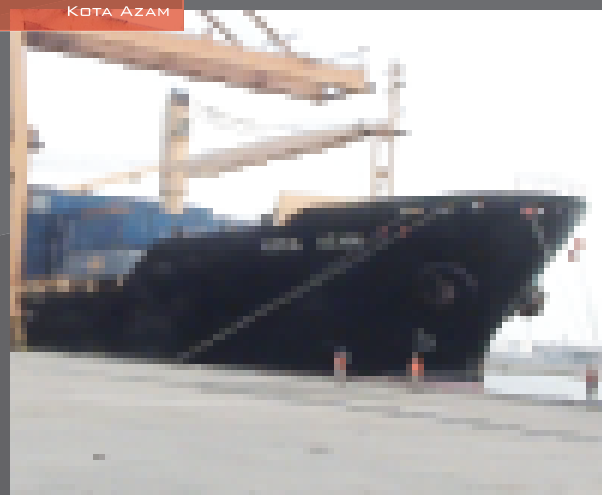
KOTA KADO



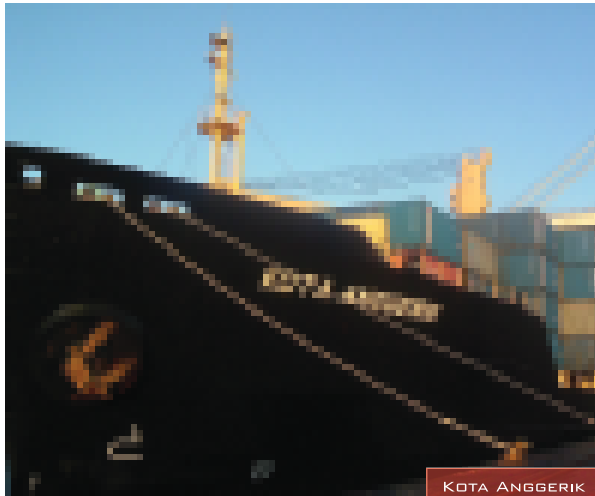
KOTA KAYA



KOTA ARIF



KOTA AZAM



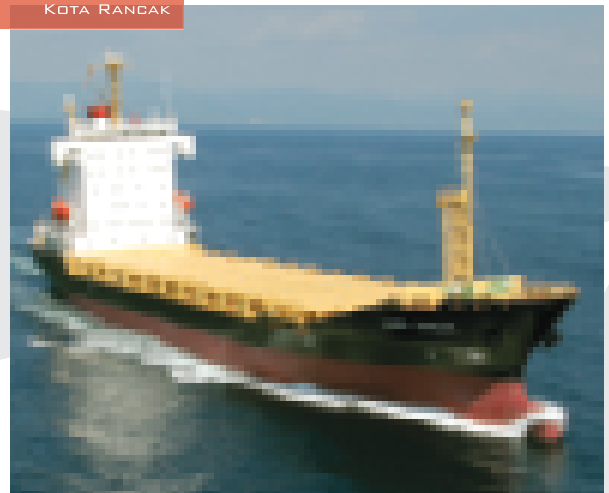
KOTA ANGGERIK



KOTA ANGGUN



KOTA RAJIN



KOTA RANCAK

Name of Vessel	Kota Anggerik	Kota Anggun	Kota Rajin	Kota Rancak
Built (Year of Delivery)	1999	1999	2005	2005
Flag	Singapore	Singapore	Singapore	Singapore
IMO No./ L.R. NO	9175597	9175602	9296286	9296298
Class	LR	LR	NKK	NKK
Length (LOA) (Metres)	182.83	182.83	145.9	145.9
Gross Tonnage ("GT")	17652	17652	9678	9678
Net Tonnage ("NT")	8156	8156	4558	4558
Deadweight Summer ("MT")	23840	23842	13212	13213
Draft summer (Metres)	9.53	9.53	8.12	8.12
Capacity (TEU)	1454	1454	943	943
Effective TEUs @ 14MT	1160	1160	650	650
Brake Horsepower ("BHP")	11680	11680	6150	6150
Speed (Knots)	19	19	17.1	17.1
Fuel Consumption (MT/Day)	46.5	46.5	24.2	24.2
Cargo Gear ("MT")	2 x 40	2 x 40	Gearless	Gearless

CORPORATE INFORMATION

Board of Directors

Benedict Kwek Gim Song (Chairman)
 Lee Soo Hoon
 David Chin Soon Siong
 Ooi Chin Chai @ Eugene Chin Chai Ooi
 Jones Christopher Adrian
 Teo Choo Wee
 Kuan Kim Kin
 Subhangshu Dutt

Registered Office

140 Cecil Street
 #15-00A PIL Building
 Singapore 069540
 Phone : (65) 6429 3406
 Fax : (65) 6225 0916

Company Secretaries

Eunice Ng Puay Li
 PST Management Pte. Ltd
 140 Cecil Street
 #15-00A PIL Building
 Singapore 069540

Lawrence Wong Chee Meng
 Lim Associates (Pte) Ltd
 3 Church Street
 #08-01 Samsung Hub
 Singapore 049483

Audit Committee

Lee Soo Hoon (Chairman)
 Benedict Kwek Gim Song
 David Chin Soon Siong

Registrar and Unit Transfer Office

Lim Associates (Pte) Ltd
 3 Church Street
 #08-01 Samsung Hub
 Singapore 049483
 Phone : (65) 6536 5355
 Fax : (65) 6536 1360

Auditors

KPMG
 16 Raffles Quay
 #22-00 Hong Leong Building
 Singapore 048581
 Partner-in-charge: Lo Mun Wai
 (appointment commenced from the audit of the financial statements for the period ended 31 December 2006)

Principal Bankers

DBS Bank Ltd
 DnB NOR Bank ASA, Singapore Branch
 HSH Nordbank AG, Singapore Branch
 Oversea-Chinese Banking Corporation Limited
 Standard Chartered Bank

Sponsor

Pacific International Lines (Private) Limited

The Initial Public Offer was sponsored by Pacific International Lines (Private) Limited



CORPORATE GOVERNANCE

PST Management Pte. Ltd., as trustee-manager of PST (“PSTM”), has the dual responsibility of safeguarding the interests of the Unitholders of PST and managing the business conducted by PST. PST, constituted as a trust, is externally managed by PSTM and accordingly, has no personnel of its own. PSTM appoints experienced and well-qualified management to run its day-to-day operations. PSTM, and not PST, remunerates all directors and employees of PST. PSTM is dedicated to maintaining the highest standards of corporate governance.

The Board of directors of PSTM (the “Board”) uses the Singapore Code of Corporate Governance (the “Code”), which was first introduced in 2001 and amended by the Council on Corporate Disclosure and Governance in 2005, as its benchmark for its corporate governance policies and practices, as and where relevant.

The Board’s Conduct of Affairs

The Board is responsible for corporate governance and overall strategy of PST. Its role also includes reviewing business plans, monitoring key financial and non-financial performance indicators, approving annual budgets, acquisitions and disposals. The Board has established a framework for the management of PSTM, including a system of internal controls and risk management process.

The Board has established an Audit Committee to assist it in discharging its responsibilities.

The Board meets at least once every quarter. Amongst other things, the Board approves PST’s quarterly and full-year results for release to Singapore Exchange Securities Trading Limited (the “SGX-ST”) and material transactions requiring announcements under the SGX-ST listing rules.

PSTM has also put in place an internal guide wherein certain key matters are specifically reserved for the Board’s approval, such as vessel acquisitions and divestments, chartering contracts, all commitments on loan facilities, credit lines and insurance coverage.

The directors’ attendance at Board meetings and Audit Committee meetings held in 2006 is as follows:

Name	Board Meeting		Audit Committee Meeting	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Benedict Kwek Gim Song	3	3	2	2
Lee Soo Hoon	3	3	2	2
David Chin Soon Siong	3	3	2	2
Eugene Ooi Chin Chai*	3	2	-	-
Jones Christopher Adrian*	3	-	-	-
Teo Choo Wee*	3	1	-	-
Kuan Kim Kin	3	3	-	-
Subhangshu Dutt	3	3	-	-

* Mr. Ooi Chin Chai was appointed 4th October 2006

* Mr. Teo Choo Wee was appointed 4th October 2006

* Mr. Jones Christopher Adrian was appointed 9th February 2007

Each new director is provided with a manual containing information on directors’ duties and responsibilities. Directors are also provided regular updates and briefings from time to time by professional advisers, auditors and management on new laws, rules, regulations, listing requirements, governance practices, changes in accounting standards and business and risk management issues applicable or relevant to the performance of their duties and responsibilities as directors.

Board Composition and Guidance

The Board comprises eight directors, of whom five are independent and non-executive. The members of the Board as at the date of this report are:

Name	Age	Position	Date of Appointment
Benedict Kwek Gim Song	59	Chairman and Independent director	7 April 2006
Lee Soo Hoon	64	Independent director	7 April 2006
David Chin Soon Siong	62	Independent director	7 April 2006
Eugene Ooi Chin Chai	54	Independent director	4 October 2006
Jones Christopher Adrian	55	Independent director	9 February 2007
Teo Choo Wee	43	Non-independent director	4 October 2006
Kuan Kim Kin	58	Non-independent director	24 February 2006
Subhangshu Dutt	53	Non-independent and Executive director, CEO	24 February 2006

Mr Eugene Ooi Chin Chai is an independent director of PSTM. He is a Partner of M/s Allen & Gledhill, which renders professional services to PSTM and its related corporations for a fee from time to time. The Board has reviewed this relationship and is of the opinion that, notwithstanding such a relationship, Mr Ooi is able to exercise strong independent judgment in his deliberations in the interest of PST, and in maintaining a high standard of conduct, care and duty. The Board has also found that Mr Ooi observes the ethical standards of his profession and is very conscious of the need to disclose any conflict of interests arising from other engagements.

Mr Teo Choo Wee is the son of Mr Teo Woon Tiong (Y.C. Chang) and the latter is the controlling shareholder of Pacific International Lines (Private) Limited ("PIL"). PIL is the holding company of PSTM and a controlling Unitholder of PST. The aforesaid family relationship has been disclosed to the Board and SGX-ST via the SGXNET announcement in relation to Mr Teo's appointment as a director of PSTM.

Chairman and Chief Executive Officer

The roles of the Chairman of the Board and Chief Executive Officer ("CEO") are separate and their responsibilities are clearly defined to ensure an appropriate balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman of the Board, who is a non-executive and independent director, is responsible for the leadership of the Board and is free to act independently in the interests of the Unitholders of PST. The Chairman schedules Board meetings and sets the agendas for the Board meetings and exercises control over the adequacy and timeliness of information flow between the Board and management to ensure the Board's effectiveness. The Chairman also monitors communications between PST and its Unitholders and between the Board and management with a view of encouraging constructive relations and dialogue amongst them.

On the other hand, the CEO is responsible to the Board for the day-to-day operations of PST. He leads PSTM's management team in the execution of strategic plans set by the Board.

Board Membership

The Board reviews its composition regularly to ensure that PSTM has the appropriate mix of expertise and experience and to further ensure that at least a majority of the Board comprises independent directors.

PSTM has in place a formal and transparent process for the appointment of new directors. In reviewing and recommending the appointment of new directors, the Board takes into consideration the current Board size and its mix and considers factors such as a director's professional qualifications, working experience and expertise. The Board also conducts an annual review of directors' independence.

No Nominating Committee has been established as all the directors are appointed by PSTM and not PST. The nomination function, however, is still performed by the Board so as to conform to best practices recommended by the Code.

The Board is satisfied that sufficient time and attention are being given by the directors to the affairs of PST and PSTM, notwithstanding that some of the directors have multiple board representations.

Board Performance

The Board conducts its own performance evaluation annually. This exercise is aimed at giving directors an opportunity to gauge their effectiveness individually and collectively. It also helps to ensure continual improvement in the Board's decision-making process as it provides a benchmark by which future performance can be measured.

Access to Information

The directors are given unrestricted access to relevant information and PSTM's premises as well as separate and independent access to PSTM's senior management. The directors, whether individually or as a group, are also entitled to seek independent professional advice at PSTM's expense in furtherance of their duties and in the event that the circumstances warrant the same.

All directors have separate and independent access to the advice and services of the Company Secretaries. At least one of the Company Secretaries will attend the Board meetings. The Company Secretaries are responsible for ensuring that the procedures of Board meetings are complied with. At least one of the Company Secretaries will attend the Audit Committee meetings.

Remuneration Matters

Directors' remuneration and fees are borne by PSTM and not PST. In practice, the directors' remuneration and fees are paid out from the trustee-manager's fee income, subject to the Board's approval.

No Remuneration Committee has been established as all the directors are appointed by PSTM and not PST. The Board, however, performs this function in accordance with the best practice recommended by the Code.

The remuneration of the Trustee-Manager is provided for in Clause 12 of the Trust Deed constituting PST dated 25 April 2006. The fee structure which includes management fees, trustee fee, acquisition fee and disposal fee, is disclosed in Note 1 of the financial statements of PST in the Annual Report.

Accountability

The Board has overall responsibility to Unitholders for ensuring that PSTM is well managed and guided by its strategic objectives. In presenting PST's quarterly and annual financial statements to Unitholders, the Board aims to provide a balanced and understandable assessment of PST's performance, position and prospects.

PSTM's management provides the Board with financials and reports on PST's performance and position on a quarterly basis. Although the management does not provide management accounts on a monthly basis, all directors nevertheless have unrestricted access to PST's records and information though requests for further explanations, briefings and informal discussions on PST's operations or business issues from the management.

Audit Committee

The Audit Committee ("AC") has written terms of reference that are approved by the Board and clearly set out its responsibilities. The AC comprises three members, namely, Mr Lee Soo Hoon (Chairman), Mr Chin Soon Siong and Mr Kwek Gim Song. All members of the AC are independent non-executive directors.

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge their responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

The responsibilities of the AC include:

- a) reviewing and approving, on behalf of the Board, PST's financial statements for the first three quarters;
- b) reviewing the fourth quarter and annual financial statements and recommending them to the Board for approval;
- c) reviewing the scope and results of the external and internal audits, and evaluating, with the assistance of internal and external auditors, the adequacy of the systems of internal and accounting controls, risk management and compliance;
- d) reviewing the cost effectiveness of the external audit and, where amounts are substantial, reviewing the nature, extent and costs of non-audit services provided by the external auditors to PST, so as to avoid an erosion of the independence and objectivity of the external auditors;
- e) recommending to the Board the nomination of the external auditors and their compensation;
- f) reviewing interested person transactions of PST, if any; and
- g) reviewing the effectiveness of the internal audit functions.

In performing its functions in 2006, the AC:

- a) held two (2) meetings in the period with the management and the external auditors;
- b) met once with the external auditors, without the presence of management, to review any matters that might be raised privately;
- c) reviewed the audit plans of the internal and external auditors of PST, and their reports arising from the audits;
- d) met once with the internal auditors, with the presence of the management. The internal auditors were given access to meet with the AC in the absence of the management to review any other matters;
- e) reviewed the volume and nature of non-audit services provided by the external auditors and received the requisite information from the external auditors evidencing the latter's independence. Based on this information, the AC is satisfied that the financial, professional and business relationships between PST and the external auditors will not prejudice the independence and objectivity of the external auditors;
- f) recommended the re-appointment of KPMG as external auditors at the forthcoming Annual General Meeting of the Unitholders;
- g) reviewed the volume and nature of interested person transactions;

PST has also in place a whistle-blowing framework where staff of PSTM can approach the AC Chairman, the Chairman of the Board and CEO to raise concerns about improprieties. Contact details of these persons have been made available to staff.

Internal Controls

The Board believes in the importance of maintaining a sound system of internal control to safeguard the interests of Unitholders and PST's assets. The Board believes that the system of internal control maintained by the management and in place throughout the financial period and up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or losses. The Board recognises that in practice, no cost-effective internal control system can preclude and eradicate each and every error and irregularity arising from material errors, poor judgment in decision-making, human error losses and fraud given that all internal control systems contain inherent limitations. The Board notes that the objective of an internal control system should be to manage rather than to eliminate the risk of failure.

The Board, based on the findings by external auditors, internal auditors and the management controls in place, is satisfied that there are no material weaknesses in PST's system of internal control.

Internal Audit

PST's internal audit function has been outsourced to Moore Stephens, a professional accounting firm. Moore Stephens reports to the AC on internal audit matters and reports to the CEO administratively.

Moore Stephens has performed an internal audit review of PST during the year. The review was conducted to meet the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors, Singapore.

The AC has reviewed and approved the internal audit plan and was satisfied that Moore Stephens had the necessary resources to adequately perform its functions.

The AC ensures the adequacy of the internal audit function, at least annually.

Communication with Unitholders

PSTM does not practise selective disclosures and releases its financial results and other material information to the Unitholders of PST in a timely basis in accordance with the requirements of the listing rules of the SGX-ST, via the SGXNET system. All announcements made on behalf of PST are also available on PST's website (www.pacificshippingtrust.com).

All Unitholders of PST will receive a copy of the Annual Report and Notice of Annual General Meeting of the Unitholders annually. Notice of the Annual General Meeting of the Unitholders will also be advertised in the newspapers and will be made available on the SGX-ST's website.

At the Annual General Meeting of the Unitholders, Unitholders will be given opportunities to voice their views and seek clarifications. The Chairman of the Board, the Chairman of the Audit Committee, as well as the external auditors will be available to attend to any queries raised by the Unitholders.

In accordance with the trust deed of PST, a Unitholder of PST is allowed to appoint one or two proxies to attend and vote at any meeting of Unitholders on his behalf through proxy forms sent in advance.

Dealing in PST Units

PSTM has adopted its own internal Code of Conduct to provide guidance to all officers of PSTM with regard to dealings in units of PST in compliance with Rule 1207 (18) of the Listing Manual of the SGX-ST.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with units of PST within the permitted trading period. All directors and key officers are required to confirm annually that they have complied with and are not in breach of the provisions of this Code of Conduct.

Interested Person Transactions

PST has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of PST's interested person transactions. PST's disclosure in accordance with Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial period ended 31 December 2006 is set out on page 59 in the Annual Report.

Material Contracts

There were no material contracts, not being contracts entered into in the ordinary course of business, entered into by PST during the period under review.

Risk Management

PST regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. PST reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

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REPORT OF THE TRUSTEE-MANAGER OF PACIFIC SHIPPING TRUST

The directors of PST Management Pte. Ltd., the Trustee-Manager of Pacific Shipping Trust (the "Trust"), are pleased to submit this annual report to the unitholders of the Trust, together with the audited financial statements for the financial period from 25 April 2006 (date of constitution) to 31 December 2006.

Directors

The directors of the Trustee-Manager in office at the date of this report are as follows:

Kwek Gim Song	(Appointed on 7 April 2006)
Lee Soo Hoon	(Appointed on 7 April 2006)
Chin Soon Siong	(Appointed on 7 April 2006)
Ooi Chin Chai @ Eugene Chin Chai Ooi	(Appointed on 4 October 2006)
Jones Christopher Adrian	(Appointed on 9 February 2007)
Teo Choo Wee	(Appointed on 4 October 2006)
Kuan Kim Kin	(Appointed on 24 February 2006)
Subhangshu Dutt	(Appointed on 24 February 2006)

Directors' interests

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Singapore Business Trusts Act (the "Act"), no director who held office at the end of the financial period had interests in units or debentures of the Trust either at the date of constitution, or the date of appointment, if later, or at the end of the financial period.

Neither at the end of, nor at any time during the financial period was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of the Trust.

During the financial period, no director has received or become entitled to receive a benefit by reason of a contract made by the Trust or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements and in the corporate governance statement.

There were no changes in any of the above mentioned interests in the Trust between the end of the financial period and 21 January 2007.

Unit options

During the financial period, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in the Trust; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of the Trust.

As at the end of the financial period, there were no unissued units of the Trust under option.

REPORT OF THE TRUSTEE-MANAGER OF PACIFIC SHIPPING TRUST

Auditors

The auditors, KPMG, have indicated their willingness to accept re-appointment.

For and on behalf of the Board of Directors of the Trustee-Manager

Kwek Gim Song

Director

Subhangshu Dutt

Director

Singapore

28 March 2007

STATEMENT BY TRUSTEE-MANAGER

In our opinion:

- (a) the financial statements set out on pages 39 to 58 are drawn up so as to give a true and fair view of the state of affairs of the Trust as at 31 December 2006 and of the results, changes in unitholders' funds and cash flows of the Trust for the period ended on that date in accordance with the provisions of the Singapore Business Trusts Act and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due.

With respect to the income statement of the Trust for the period ended 31 December 2006:

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with the trust deed dated 25 April 2006;
- interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- the Board is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

For and on behalf of the Board of Directors of the Trustee-Manager

Kwek Gim Song

Director

Subhangshu Dutt

Director

Singapore

28 March 2007

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

In accordance with Section 86 of the Singapore Business Trusts Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the Trust or on the interests of all the unitholders of the Trust as a whole.

Subhangshu Dutt

Chief Executive Officer

Singapore

28 March 2007

INDEPENDENT AUDITORS' REPORT

UNITHOLDERS OF PACIFIC SHIPPING TRUST

We have audited the accompanying financial statements of Pacific Shipping Trust (constituted in the Republic of Singapore pursuant to a trust deed dated 25 April 2006 (the "Trust Deed")) ("the Trust"), which comprise the balance sheet of the Trust as at 31 December 2006, the income statement, statement of movement in unitholders' funds and cash flow statement of the Trust for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 58.

Trustee-Manager's responsibilities for the financial statements

The Trustee-Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the Singapore Business Trusts Act (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee-Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- (a) the financial statements of the Trust are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Trust as at 31 December 2006 and the results, changes in unitholders' funds and cash flows of the Trust for the period ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Trust have been properly kept in accordance with the provisions of the Act.

KPMG

Certified Public Accountants

Singapore

28 March 2007

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Note	US\$'000
Non-current asset		
Vessels	3	<u>263,281</u>
Current assets		
Other receivables	4	52
Cash and cash equivalents	5	<u>8,648</u>
		<u>8,700</u>
Total assets		<u><u>271,981</u></u>
Non-current liability		
Secured bank loans	6	<u>108,790</u>
Current liabilities		
Charter income received in advance		1,987
Other payables	7	249
Secured bank loans	6	11,501
Interest rate swaps		775
Current income tax payable		43
		<u>14,555</u>
Total liabilities		<u>123,345</u>
Net assets attributable to unitholders		<u><u>148,636</u></u>
Unitholders' funds		
Units in issue	8	151,650
Unit issue costs	9	(4,983)
Accumulated profits		1,969
		<u>148,636</u>
		US\$
Net asset value per unit	10	<u><u>0.44</u></u>

INCOME STATEMENT

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

	Note	US\$'000
Gross revenue	11	20,717
Depreciation		(7,719)
Management fees		(829)
Trustee fees		(33)
Other expenses	12	(280)
Results from operating activities		<u>11,856</u>
Finance income	13	366
Finance expense	13	(5,357)
Net finance costs		<u>(4,991)</u>
Profit before income tax		6,865
Income tax expense	14	(43)
Profit after income tax		<u>6,822</u>
Income available for distribution	15	<u>8,476</u>
Earnings per unit (US cents)	16	
Basic		<u>2.02</u>
Diluted		<u>2.02</u>

STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

	Units in issue US\$'000	Unit issue costs US\$'000	Accumulated profits US\$'000	Total US\$'000
On date of constitution	–	–	–	–
Units issued	151,650	–	–	151,650
Unit issue costs	–	(4,983)	–	(4,983)
Profit for the period/total recognised income and expenses for the period	–	–	6,822	6,822
Distributions to unitholders	–	–	(4,853)	(4,853)
At 31 December 2006	151,650	(4,983)	1,969	148,636

CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

	Note	US\$'000
Operating activities		
Profit before income tax		6,865
Adjustments for:		
Depreciation		7,719
Fair value losses on interest rate swaps		775
Interest expense		4,582
Interest income		(366)
Operating income before working capital changes		19,575
Changes in working capital:		
Other receivables		(26)
Other payables		249
Charter income received in advance		1,987
Cash flows from operating activities		<u>21,785</u>
Investing activities		
Interest received		340
Purchase of container vessels		(271,000)
Cash flows from investing activities		<u>(270,660)</u>
Financing activities		
Distribution to unitholders		(4,853)
Interest expense paid		(4,582)
Payment of issue expenses		(4,983)
Proceeds from interest-bearing loans		127,000
Proceeds from issue of new units		151,650
Repayment of interest-bearing loans		(6,709)
Cash flows from financing activities		<u>257,523</u>
Net increase in cash and cash equivalents		8,648
Cash and cash equivalents at beginning of the period		—
Cash and cash equivalents at end of the period	5	<u><u>8,648</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager on 28 March 2007.

1 Domicile and activities

Pacific Shipping Trust (“the Trust”) is a Singapore-domiciled business trust established pursuant to the Trust Deed dated 25 April 2006 (the “Trust Deed”) with PST Management Pte. Ltd. (the “Trustee-Manager”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the unitholders.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 26 May 2006.

The principal activity of the Trust is to invest in vessels which are chartered out to vessel operators.

The Trust has entered into several service agreements in relation to management of the Trust and its chartering operations. The fee structures of these services are as follows:

Management fees

Pursuant to the Trust Deed, the Trustee-Manager is entitled to receive a management fee of 4.0% per annum of the value of the Charter Income (being the income derived from the charter of vessels by the Trust as stipulated in the Trust Deed) in the relevant calendar year.

Any change in the structure of the management fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The management fee payable to the Trustee-Manager is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable). Where the management fee is paid in cash, the amount is paid monthly, in arrears. Where the management fee is paid in the form of units, the amount is paid quarterly, in arrears.

Trustee fees

Pursuant to the Trust Deed, the Trustee-Manager is entitled to receive a trustee fee of 0.02% per annum of the value of the Trust Property (being all the assets of the Trust, as stipulated in the Trust Deed) (subject to a minimum fee of US\$10,000 in each calendar quarter). The trustee fee is payable out of the Trust Property of the Trust in cash on a quarterly basis. Each quarterly payment shall be determined based on the value of the Trust Property as at the last day of the immediately preceding quarter and as reflected in the quarterly financial statements of the Trust for that quarter. The Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Any change in the structure of the trustee fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

1 Domicile and activities (cont'd)

Other fees

Pursuant to the Trust Deed, the Trustee-Manager is also entitled to the following:

- An acquisition fee amounting to 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the acquisition price of vessels acquired directly or indirectly by the Trust, pro-rated if applicable, to the proportion of the Trust's interest. The acquisition fee is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable and made before the payment of the acquisition fee).
- No acquisition fee is payable on the acquisition of the initial portfolio of vessels.
- A disposal fee amounting to 0.5% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the sale price of vessels disposed, pro-rated if applicable, to the proportion of the Trust's interest. The disposal fee is payable in cash.

Any increase in the acquisition fee or disposal fee above the permitted limit or any change in the structure of such fees shall be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

2 Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except that certain financial assets and financial liabilities are stated at fair value.

The financial statements are presented in United States (US) dollars, which is the Trust's functional currency.

The preparation of financial statements requires the Trustee-Manager to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 17 relating to the valuation of financial instruments.

The accounting policies set out below have been applied consistently by the Trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

2 Summary of significant accounting policies (cont'd)

2.2 Foreign currencies

Transactions in foreign currencies are translated to US dollars at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US dollars at the exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US dollars at the exchange rate ruling at the date the fair value was determined.

Foreign currency differences arising on translation are recognised in the income statement.

2.3 Vessels

Vessels are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over the remaining useful lives of the container vessels ranging from 18 to 25 years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.4 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables, cash and cash equivalents, bank loans, charter income received in advance and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any allowance for impairment losses.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, ie, the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

2 Summary of significant accounting policies (cont'd)

2.4 *Financial instruments (cont'd)*

Derivative financial instruments

The Trust holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for in the income statement.

Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

2.5 *Impairment – non-financial assets*

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

2 Summary of significant accounting policies (cont'd)

2.5 Impairment – non-financial assets (cont'd)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Unit issue costs

Unit issue costs represent expenses incurred in connection with the issue of units. All such expenses are deducted directly from unitholders' funds.

2.7 Revenue recognition

Charter income

Charter income receivable under operating leases is recognised in the income statement on a straight-line basis over the period of the respective lease terms.

2.8 Expenses

Trustee-Manager's fees

The trustee fees and management fees paid/payable to the Trustee-Manager are recognised on an accrual basis.

2.9 Finance income and expense

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings and losses on hedging instruments that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

2 Summary of significant accounting policies (cont'd)

2.10 *Income tax expense*

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The bareboat charter income derived by the Trust from the bareboat charter agreements would qualify for tax exemption under the Maritime Financing Incentive ("MFI"), which is valid for 10 years. The distributions made out of the tax exempt income less allowable expenses will also be exempt from Singapore income tax in the hands of the unitholders.

The Trust would be subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate, after adjusting for allowable expenses. The distributions made out of the non-tax exempt income less allowable expenses and tax will also be exempt from Singapore income tax in the hands of the unitholders.

2.11 *Segment reporting*

A segment is a distinguishable component of the Trust that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No business segment information has been prepared as the Trust is involved only in the chartering out of vessels. No geographical segment information has been prepared as the Trust's operations are located only in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

3 Vessels

	US\$'000
Cost	
At 25 April 2006	–
Additions	271,000
At 31 December 2006	<u>271,000</u>
Accumulated depreciation	
At 25 April 2006	–
Charge for the period	7,719
At 31 December 2006	<u>7,719</u>
Carrying amount	
At 31 December 2006	<u>263,281</u>

4 Other receivables

	US\$'000
Prepayments	2
Interest receivables	26
Other receivables	24
	<u>52</u>

5 Cash and cash equivalents

	US\$'000
Cash at bank	1,114
Fixed deposits with financial institutions	7,534
	<u>8,648</u>

The weighted average effective interest rate relating to cash and cash equivalents at the balance sheet date for the Trust is 4.90% per annum.

Interest rates reprice within six months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

6 Secured bank loans

	US\$'000
Non-current	
Secured bank loans	<u>108,790</u>
Current	
Secured bank loans	<u>11,501</u>
Total loans and borrowings	<u><u>120,291</u></u>

During the period, the Trust drew down US\$127 million of its secured term loan facilities to partly finance the acquisition of container vessels. Partial repayment of the term loans were made during the period. The Trust also has in place a revolving credit facility of US\$1 million which has not been drawn down as at period end.

As security for the banking facilities granted to the Trust, the Trust has granted in favour of the financial institutions extending the loans, revolving credit facility and interest rate swap facilities, the following:

- (i) a first priority mortgage over each container vessel;
- (ii) a first priority assignment of the Trust's rights, title, interest and insurance to and for each container vessel, including insurances for hull and machinery, protection and indemnity and war risks; and
- (iii) a first priority assignment of the Trust's rights, title and interest in and to the bareboat charter agreement and the charter income of each container vessel.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

6 Secured bank loans (cont'd)

As security for another interest rate swap facility granted by a financial institution in relation to one of the container vessels, Kota Rajin, the Trust has granted in favour of the financial institution, the following:

- (i) a second priority mortgage over Kota Rajin;
- (ii) a second priority assignment of the Trust's right, title, interest and insurance to and for Kota Rajin, including hull and machinery, protection and indemnity, and war risks; and
- (iii) a second priority assignment of the Trust's rights, title and interest in and to the bareboat charter agreement and the charter income of Kota Rajin.

The net book value of vessels pledged as security for the bank loans is US\$263,281,000, of which US\$22,998,000 relates to the net book value of Kota Rajin.

Terms and debt repayment schedule

Terms and conditions of outstanding bank loans are as follows:

	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
Trust				
US\$ floating rate loans	5.90 – 6.22	2016 to 2018	120,291	120,291
				US\$'000

Maturity of loans

After 5 years	120,291
---------------	---------

Effective interest rates and repricing analysis

The effective interest rate of the US dollar floating rate loans is 6.14% at the balance sheet date.

The Trustee-Manager entered into interest rate swaps to swap the floating interest rates on the US dollar loans for an effective fixed interest rate of 5.97% which will mature after 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

7 Other payables

	US\$'000
Amounts due to the Trustee-Manager (trade)	138
Other payables	111
	<u>249</u>

8 Units in issue

	Number of units '000
At 25 April 2006 (date of constitution)	–
Issue of units:	
- Initial public offering	337,000
At 31 December 2006	<u>337,000</u>

Each unit in the Trust represents an undivided interest in the Trust. The rights and interests of unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- Receive audited accounts and the annual reports of the Trust.

The restrictions of a unitholder include the following:

- a unitholder has no right to request the Trustee-Manager to transfer to him any asset of the Trust;
- a unitholder cannot give any directions to the Trustee-Manager (whether at a meeting of unitholders or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:
 - the Trust ceasing to comply with applicable laws and regulations; or
 - the exercise of any discretion expressly conferred to the Trustee-Manager by the Trust Deed.

A unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no unitholders will be personally liable to indemnify the Trustee-Manager or any creditor of the Trustee-Manager in the event the liabilities of the Trust exceed its assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

9 Unit issue costs

Included in issue expenses are non-audit fees paid to auditors of the Trust amounting to US\$263,000 mainly for acting as independent reporting accountants and tax consultants with respect to the initial public offering of units in the Trust.

10 Net asset value per unit

Net asset value per unit is based on:

	Note	US\$'000
Net assets attributable to unitholders		148,636
		'000
Total units in issue	8	337,000

11 Gross revenue

Gross revenue relates to charter hire income.

12 Other expenses

Included in other expenses is the following item:

	US\$'000
Non-audit fees paid to auditors of the Trust	5

13 Finance income and expense

	US\$'000
Interest income:	
- bank deposits	249
- interest rate swaps	117
	366
Interest expense:	
- bank loans	(4,582)
Fair value losses on interest rate swaps	(775)
	(5,357)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

14 Income tax expense

US\$'000

Income tax expense

Current tax	43
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Reconciliation of effective tax rate

Profit before income tax	6,865
Income tax using Singapore tax rate of 20%	1,373
Tax exempt income	(3,035)
Non deductible items	1,705
	43

15 Income available for distribution

US\$'000

Profit after income tax	6,822
Net tax adjustments (Note A)	8,523
Repayment of borrowings	(6,869)
Income available for distribution	8,476

Distribution to unitholders:

For the period from 25/4/2006 to 30/9/2006

- Distribution of 1.41 cents per unit (tax-exempt income)	(4,752)
- Distribution of 0.03 cents per unit (tax-exempt one tier income)	(101)
	(4,853)

Income available for distribution to unitholders at end of the period	3,623
Income to be retained for working capital purposes	(104)
Income to be distributed in the next period	3,519

Note A

Net tax adjustments comprise:

Non-tax deductible/(chargeable) items:

- Depreciation	7,719
- Fair value losses on interest rate swaps	775
- Others	29
Net tax adjustments	8,523

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

16 Earnings per unit

The calculation of basic earnings per unit is based on weighted average number of units during the period and profit after income tax.

	US\$'000
Profit after income tax	<u>6,822</u>
	Number of units '000
Weighted average number of units outstanding during the period	<u>337,000</u>

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the period.

17 Financial instruments

Risk management is integral to the whole business of the Trust. The Trust has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Trust's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Trust as and when they fall due.

The Trustee-Manager has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

At the balance sheet date, the container vessels are chartered to a single customer, Pacific International Lines (Private) Limited ("PIL"). Other than the above, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Liquidity risk

The Trustee-Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Trust's operations and to mitigate the effects of fluctuations in cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

17 Financial instruments (cont'd)

Interest rate risk

The Trust's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing liabilities. Interest rate risk is managed by the Trustee-Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Estimation of fair values

Derivatives

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of swaps at 31 December 2006 was a liability of US\$775,000.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents, charter income received in advance and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

18 Commitments

Non-cancellable operating lease rentals are receivable as follows:

	US\$'000
Within 1 year	34,529
After 1 year but within 5 years	138,211
After 5 years	106,996
	<u>279,736</u>

The Trust leases out all its container vessels to PIL under bareboat charter agreement for periods ranging from 8 to 10 years. The terms of the bareboat charter agreements provide that the charter rates are fixed for the entire charter period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

19 Related parties

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust and the party are subject to common significant influence. Related parties may be individuals or other entities. The Trustee-Manager is a wholly-owned subsidiary of a substantial unitholder of the Trust, PIL.

In the normal course of the operations of the Trust, management fees and trustee fees have been paid or are payable to the Trustee-Manager.

During the financial period, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions which were carried out in the normal course of business:

	US\$'000
Charter hire income received/receivable from a related corporation of the Trustee-Manager	20,717
Management fees paid/payable to the Trustee-Manager	829
Purchase of vessels from a related corporation of the Trustee-Manager	271,000
Trustee fees paid/payable to the Trustee-Manager	<u>33</u>

20 Comparative information

No comparative figures have been presented as this is the first set of financial statements prepared for the Trust since the date of its constitution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD FROM 25 APRIL 2006 (DATE OF CONSTITUTION) TO 31 DECEMBER 2006

21 New accounting standards and interpretations not yet adopted

The Trust has not applied the following accounting standards and interpretations that have been issued as of the balance sheet date but are not yet effective:

- FRS 40 *Investment Property*
- FRS 107 *Financial Instruments: Disclosures* and the Amendment to FRS 1 *Presentation of Financial Statements: Capital Disclosures*
- INT FRS 107 *Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
- INT FRS 108 *Scope of FRS 102 Share-based Payment*
- INT FRS 109 *Reassessment of Embedded Derivatives*
- INT FRS 110 *Interim Financial Reporting and Impairment*

FRS 107 and amended FRS 1, which become mandatory for the Trust's 2007 financial statements, will require extensive additional disclosures with respect to the Trust's financial instruments and units in issue. This standard does not have any material impact on the recognition and measurement of the Trust's financial statements.

The initial application of these standards and interpretations is not expected to have any material impact on the Trust's financial statements. The Trust has not considered the impact of accounting standards issued after the balance sheet date.

ADDITIONAL INFORMATION

Interested Person Transactions

The transactions entered into with interested persons during the financial period which fall under the Listing Manual of the SGX-ST and the Business Trusts Act are:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 (US\$65,000 ⁽¹⁾ equivalent) and transactions conducted under Unitholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial period under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000 (US\$65,000 ⁽¹⁾ equivalent))
	US\$'000	US\$'000
Allen & Gledhill Advocates & Solicitors ("A&G")⁽²⁾		
Professional fees in relation to IPO	475	–
Professional fees	26	–
Pacific International Lines (Private) Limited		
Purchase of vessels at IPO	271,000	–
Charter hire income	20,717	–
PIL Travel Pte Ltd		
Purchase of air tickets	22	–
PST Management Pte Ltd		
Management fees	829	–
Trustee fee	33	–
Total	293,102	–

Except as disclosed above, there were no additional interested person transactions (excluding transactions less than \$100,000 (US\$65,000⁽¹⁾ equivalent)) entered into up to and including 31 December 2006.

Please also see Related Parties in Note 19 of the financial statements.

Rule 905 and 906 of the listing manual of the SGX-ST are not applicable if such related party transactions are made on the basis of, and in accordance with, the terms and conditions set out in the IPO Prospectus. All of the amounts shown above were on such terms and conditions and therefore do not require Audit Committee review or approval.

Notes:

- Exchange rate as at 31 December 2006.
- Eugene Ooi Chin Chai, a director of the Trustee-Manager, is a partner of A&G. Mr Ooi was appointed a director on the 4 October 2006. Professional fees in relation to IPO was incurred and paid before the appointment of Mr Ooi.

Listing of PST units

For the financial period ended 31 December 2006, an aggregate of 337,000,000 units were issued and subscribed for.

STATISTICS OF UNITHOLDINGS

AS AT 13 MARCH 2007

There were 337,000,000 units (voting rights: 1 vote per unit) outstanding as at 13 March 2007. There is only one class of units in PST. Market capitalization was US\$143,225,000 (based on closing price of US\$0.425 per unit on 13 March 2007).

SUBSTANTIAL UNITHOLDERS

As at 13 March 2007

Unitholders	No. of units	
	Direct interest	Deemed interest
1. Oceanic Investment Management Limited S/A Oceanic Hedge Fund ⁽¹⁾	17,000,000	-
2. DBS Bank Limited ⁽²⁾	20,150,000	18,312,000
3. DBS Group Holdings Limited ⁽²⁾	-	38,462,000
4. DBS Asset Management Limited ⁽²⁾	-	18,312,000
5. Pacific International Lines (Private) Limited	115,762,000	-
6. Temasek Holdings (Private) Limited ⁽³⁾	-	45,462,000

Notes:

- Held through Citibank Nominees Singapore Private Limited
- Held through DBS Nominees (Private) Limited
- Includes the 38,462,000 units held by DBS Group Holdings Limited and 7,000,000 units held through PSA Corporation Limited

DISTRIBUTION OF UNITHOLDINGS

As at 13 March 2007

SIZE OF HOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 999	4	0.10	168	0.00
1,000 - 10,000	3,511	83.14	12,248,822	3.63
10,001 - 1,000,000	691	16.36	43,964,000	13.05
1,000,001 and above	17	0.40	280,787,010	83.32
	4,223	100.00	337,000,000	100.00

LOCATION OF UNITHOLDERS

As at 13 March 2007

COUNTRY	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
Singapore	4,175	98.86	335,283,000	99.49
Malaysia	24	0.57	1,265,000	0.38
Others	24	0.57	452,000	0.13
	4,223	100.00	337,000,000	100.00

TWENTY LARGEST UNITHOLDERS

As at 13 March 2007

S/NO.	NAME	NO. OF UNITS	%
1	PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED	115,000,000	34.12
2	DBS NOMINEES PTE LTD	61,215,000	18.16
3	CITIBANK NOMINEES SINGAPORE PTE LTD	23,387,000	6.94
4	RAFFLES NOMINEES PTE LTD	13,811,000	4.01
5	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	11,111,000	3.30
6	UOB KAY HIAN PTE LTD	10,192,000	3.02
7	HSBC (SINGAPORE) NOMINEES PTE LTD	9,550,010	2.83
8	PSA CORPORATION LIMITED	7,000,000	2.08
9	NTUC THRIFT & LOAN CO-OPERATIVE LIMITED	6,500,000	1.93
10	DB NOMINEES (S) PTE LTD	6,289,000	1.87
11	DBS VICKERS SECURITIES (S) PTE LTD	4,809,000	1.43
12	PHILLIP SECURITIES PTE LTD	4,696,000	1.39
13	KHOO TECK PUAT FOUNDATION	2,000,000	0.59
14	LOO CHOON YONG	1,955,000	0.58
15	SSC SHIP MANAGEMENT PTE LTD	1,111,000	0.33
16	STAMFORD LAND MANAGEMENT PTE LTD	1,111,000	0.33
17	ABN AMRO NOMINEES SINGAPORE PTE LTD	1,050,000	0.31
18	CHNG GIM HUAT	1,000,000	0.30
19	LEONG MEI YONG	1,000,000	0.30
20	LIEW CHEE KONG	1,000,000	0.30
		283,787,010	84.21

FREE FLOAT

Under Rule 723 of the listing manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public. Based on the information made available to the Trustee-Manager as at 13 March 2007, approximately 47% of PST units were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Unitholders of Pacific Shipping Trust (the "Trust") will be held at SGX Auditorium, SGX Centre 1, 2 Shenton Way, Singapore 068804 on Thursday, 26 April 2007 at 2.00 pm for the following purposes:

1. To receive and adopt the Report of the Trustee-Manager, Statement by Trustee-Manager and the Audited Accounts of Pacific Shipping Trust for the period ended 31 December 2006 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-appoint KPMG as the Auditors of Pacific Shipping Trust and to authorise the Directors to fix their remuneration. **(Resolution 2)**
3. To transact any other ordinary business which may properly be transacted at an Annual General Meeting of the Unitholders.

And to consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

4. Authority to issue units up to 50 per centum (50%) of the issued units in the Trust

That pursuant to Clause 6.1.1 of the Trust Deed, Section 36 of the Business Trusts Act and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Trustee-Manager be authorised and empowered to issue units in the Trust ("units") and/or make or grant offers, agreements or options (collectively, "Instruments") that might or would require units to be issued, at any time and upon such terms and conditions and for such purposes and to such persons as the Trustee-Manager may in their absolute discretion deem fit; and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue units in pursuance of any Instrument made or granted by the Trustee-Manager while this Resolution was in force,

provided that:

- (1) the aggregate number of units (including units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued units in the Trust (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of units and Instruments to be issued other than on a pro-rata basis to existing Unitholders of the Trust shall not exceed twenty per centum (20%) of the issued units in the Trust (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued units and Instruments shall be based on the number of issued units in the Trust at the time of the passing of this Resolution, after adjusting for:
 - (a) new units arising from the conversion or exercise of the Instruments;
 - (b) any subsequent consolidation or subdivision of units;
- (3) in exercising the authority conferred by this Resolution, the Trustee-Manager comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Trust Deed of the Trust and the Business Trusts Act; and

NOTICE OF ANNUAL GENERAL MEETING OF THE UNITHOLDERS

- (4) unless revoked or varied by the Trust in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Unitholders of the Trust or the date by which the next Annual General Meeting of the Unitholders of the Trust is required by law to be held, whichever is earlier or (ii) in the case of units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such units in accordance with the terms of the Instruments.

[See Explanatory Note (i)]

(Resolution 3)

By Order of the Board

EUNICE NG PUAY LI
Company Secretary
Singapore, 11 April 2007

Explanatory Notes:

- (i) The Ordinary Resolution [3] in item [3] above, if passed, will empower the Trustee-Manager from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Trust in a general meeting of the Unitholders, whichever is the earlier, to issue units, make or grant instruments convertible into units and to issue units pursuant to such instruments, up to a number not exceeding, in total, 50% of the issued units in the Trust, of which up to 20% may be issued other than on a pro-rata basis to existing Unitholders.

For determining the aggregate number of units that may be issued, the percentage of issued units in the Trust will be calculated based on the issued units in the Trust at the time this Ordinary Resolution is passed after adjusting for new units arising from the conversion or exercise of the Instruments and any subsequent consolidation or subdivision of units.

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting of the Unitholders of the Trust (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Unitholder of the Trust.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Trust at 140 Cecil Street #15-00A, PIL Building, Singapore 069540 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

PROXY FORM

PACIFIC SHIPPING TRUST

(A business trust constituted on 25 April 2006)

PST MANAGEMENT PTE. LTD.

(As Trustee-Manager of Pacific Shipping Trust)

Company Registration No. 200602579M

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We,

of

being a Unitholder /Unitholders of Pacific Shipping Trust (the "Trust"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Unitholders (the "Meeting") of the Trust to be held on 26 April 2007 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Report of the Trustee-Manager, Statement by Trustee-Manager and Audited Accounts of Pacific Shipping Trust for the period ended 31 December 2006		
2	Re-appointment of KPMG as Auditors of Pacific Shipping Trust		
3	Authority to issue new units		

Dated this day of 2007

.....
Signature of Unitholder(s)
or, Common Seal of Corporate Unitholder

Total number of Units in:	No. of Units
(a) CDP Register	
(b) Register of Unitholders	

Notes :

1. Please insert the total number of Units held by you. If you have Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Units. If you have Units registered in your name in the Register of Members, you should insert that number of Units. If you have Units entered against your name in the Depository Register and Units registered in your name in the Register of Members, you should insert the aggregate number of Units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Units held by you.
2. A member of the Trust entitled to attend and vote at a meeting of the Trust is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Trust.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her unitholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Trust reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the PST Management Pte Ltd, Trustee-Manager of the Trust at 140 Cecil Street, #15-00 PIL Building, Singapore 069540 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under ******[the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument].
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Trust shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Units entered in the Depository Register, the Trust may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Trust.



Our Contact Details

PST Management Pte. Ltd.

140 Cecil Street, #15-00A

PIL Building, Singapore 069540

Main Line: 65-6429 3406

Fax: 65-6225 0916

Email: general@pstmanagement.com

<http://www.pacificshippingtrust.com>