



**Gulf Navigation Holding PJSC and its
Subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

31 MARCH 2008

Ernst & Young

 **ERNST & YOUNG**

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding PJSC ("the PJSC") and its subsidiaries (collectively "the Group") as of 31 March 2008, comprising of the interim consolidated balance sheet as at 31 March 2008 and the related interim consolidated statements of income, changes in equity and cash flow for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

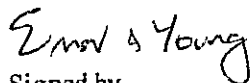
Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by
Farrukh Seer
Partner
Registration No. 491

20 April 2008
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2008 (Unaudited)

		<i>Three months ended 31 March 2008 AED'000</i>	<i>Three months ended 31 March 2007 AED'000</i>
	<i>Notes</i>		
Operating revenue	3	94,836	56,965
Operating costs	4	<u>(45,978)</u>	<u>(35,398)</u>
GROSS PROFIT		48,858	21,567
Other income	5	9,538	11,198
Administrative expenses	6	<u>(6,290)</u>	<u>(3,788)</u>
Finance costs		<u>(7,440)</u>	<u>(4,945)</u>
PROFIT FOR THE PERIOD		<u>44,666</u>	<u>24,032</u>
Earnings per share	10		
- Basic and diluted		<u>AED 0.0270</u>	<u>AED 0.0145</u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

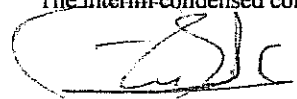
Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>Notes</i>	<i>31 March 2008 (Unaudited) AED'000</i>	<i>31 December 2007 (Audited) AED'000</i>
ASSETS			
Non-current assets			
Vessels and equipment	7	1,488,146	1,332,708
Goodwill and other intangible assets		584,277	581,559
		<u>2,072,423</u>	<u>1,914,267</u>
Current assets			
Inventories		4,184	3,608
Accounts receivable and prepayments		36,178	35,443
Bank balances and cash		742,912	736,959
		<u>783,274</u>	<u>776,010</u>
TOTAL ASSETS		<u><u>2,855,697</u></u>	<u><u>2,690,277</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		1,655,000	1,655,000
Statutory reserve		14,068	14,068
Cumulative changes in fair value		(49,356)	(19,918)
Retained earnings		51,047	6,381
Proposed dividends		-	115,850
Proposed directors fees		-	4,386
Total equity		<u>1,670,759</u>	<u>1,775,767</u>
Non-current liabilities			
Term loans	8	864,602	736,977
Employees' end of service benefits		607	521
		<u>865,209</u>	<u>737,498</u>
Current liabilities			
Accounts payable and accruals		70,254	56,923
Amounts due to related parties	9	38,008	33,622
Dividends payable		115,850	-
Current portion of term loans	8	95,617	86,467
		<u>319,729</u>	<u>177,012</u>
Total liabilities		<u>1,184,938</u>	<u>914,510</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,855,697</u></u>	<u><u>2,690,277</u></u>

The interim-condensed consolidated financial statements were authorised for issue on 20 April 2008 by:



 Abdullah Al-Shuraim
 Chairman

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2008 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Cumulative changes in fair values AED '000	Retained earnings AED '000	Proposed dividends AED '000	Proposed directors' fees AED '000	Total AED '000
Balance at 1 January 2007	1,655,000	-	-	24,637	-	-	1,679,637
Profit for the period	-	-	-	24,032	-	-	24,032
Balance at 31 March 2007	1,655,000	-	-	48,669	-	-	1,703,669
Balance at 1 January 2008	1,655,000	14,068	(19,918)	6,381	115,850	4,386	1,775,767
Net movement in fair value of cash flow hedges	-	-	(29,438)	-	-	-	(29,438)
Total expense for the period recognised directly in equity	-	-	(29,438)	-	-	-	(29,438)
Profit for the period	-	-	-	44,666	-	-	44,666
Total income/(expense) for the period	-	-	(29,438)	44,666	-	-	15,228
Transferred on approval in AGM	-	-	-	-	(115,850)	(4,386)	(120,236)
Balance at 31 March 2008	1,655,000	14,068	(49,356)	51,047	-	-	1,670,759

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Period ended 31 March 2008 (Unaudited)

<i>Notes</i>	<i>Three months ended 31 March 2008 AED'000</i>	<i>Three months ended 31 March 2007 AED'000</i>
OPERATING ACTIVITIES		
	44,666	24,032
Profit for the period		
Adjustments for:		
Depreciation	12,368	8,531
Amortisation of intangible assets	3,122	-
Provision for employees' end of service benefits	95	60
Profit on disposal of equipment	(16)	-
Interest income	(9,194)	(10,920)
Finance costs	7,440	4,945
	<u>58,481</u>	<u>26,648</u>
Working capital changes:		
Inventories	(576)	(1,683)
Accounts receivable and prepayments	(735)	(12,914)
Accounts payable and accruals	(16,107)	(11,442)
	<u>41,063</u>	<u>609</u>
Cash from operations	(11,212)	(7,290)
Interest paid	(9)	-
Employees' end of service benefits paid	<u>29,842</u>	<u>(6,681)</u>
Net cash from/(used in) operating activities		
INVESTING ACTIVITIES		
	(164,059)	(44,564)
Purchase of vessels and equipment		
Proceeds from disposal of vessels and equipment	41	-
Interest received	9,194	10,920
Intangible assets- dry docking expenses	(5,840)	-
	<u>(160,664)</u>	<u>(33,644)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
	162,395	-
Term loans proceeds	(25,620)	(16,471)
Term loans repayment	<u>136,775</u>	<u>(16,471)</u>
Net cash from/(used in) financing activities		
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	5,953	(56,796)
Cash and cash equivalents at the beginning of the period	<u>736,959</u>	<u>715,952</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
	<u><u>742,912</u></u>	<u><u>659,156</u></u>

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

1 ACTIVITIES

Gulf Navigation Holding PJSC (the "PJSC") was incorporated on 30 October 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The PJSC is primarily engaged in marine transportation of commodities, chartering vessels, ship agency, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services through its subsidiaries as listed below. The PJSC is operated from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

The PJSC and its following directly or indirectly wholly owned subsidiaries are referred to as "the Group" in the interim condensed consolidated financial statements.

<i>Company</i>	<i>Country of Incorporation</i>
Gulf Navigation Group FZCO	United Arab Emirates
Gulf Navigation Ship Management FZE	United Arab Emirates
Gulf Ship FZE	United Arab Emirates
Gulf Crude Carriers LLC	United Arab Emirates
Gulf Chemical Carriers LLC	United Arab Emirates
Lam Gulf Maritime Co LLC	United Arab Emirates
Gulf Navigation and brokerage LLC	Oman
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Jash Shipping Inc	Panama
Gulf Mishref Shipping Inc	Marshal Islands
Gulf Mizwar Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Sieb Shipping Inc	Panama
Gulf Riyad Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands
Gulf Sheba Shipping Limited	Hong Kong

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The functional currency of the Group is US Dollars. The balance sheet is presented in United Arab Emirates Dirhams for the convenience of the readers. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66.

The interim condensed consolidated financial statements have been prepared under the historical cost convention.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - continued

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the PJSC and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as PJSC, using consistent accounting policies. All significant inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's 14 month financial statements for the period ended 31 December 2007.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

3 OPERATING REVENUE

	<i>Three months ended 31 March 2008 (Unaudited) AED'000</i>	<i>Three months ended 31 March 2007 (Unaudited) AED'000</i>
Vessel chartering	90,463	51,134
Ship agency	3,680	4,872
Commercial agency	693	959
	<u>94,836</u>	<u>56,965</u>

4 OPERATING COSTS

	<i>Three months ended 31 March 2008 (Unaudited) AED'000</i>	<i>Three months ended 31 March 2007 (Unaudited) AED'000</i>
Vessel chartering:		
Ship running	15,623	11,402
Vessel depreciation	11,975	8,200
Bareboat hire	5,770	5,706
Commission on freight	3,421	741
Dry docking	2,831	-
Charter hire	2,055	-
Bunkering	156	2,716
Other miscellaneous	979	1,453
Ship agency:		
Operating cost	2,436	4,231
Vessel depreciation	133	133
Commercial agency	599	816
	<u>45,978</u>	<u>35,398</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

5 OTHER INCOME

	<i>Three months ended 31 March 2008 (Unaudited) AED'000</i>	<i>Three months ended 31 March 2007 (Unaudited) AED'000</i>
Interest income	9,194	10,920
Miscellaneous income	344	278
	<u>9,538</u>	<u>11,198</u>

6 ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March 2008 (Unaudited) AED'000</i>	<i>Three months ended 31 March 2007 (Unaudited) AED'000</i>
Staff salaries and benefits	2,931	2,288
Business travel and entertainment	215	357
Depreciation	260	198
Rent	119	198
Bad debts	1,431	-
Other administrative expenses	1,334	747
	<u>6,290</u>	<u>3,788</u>

7 VESSELS AND EQUIPMENT

Vessels and equipment include AED 660,821 thousand (31 December 2007: 493,138 thousand) in respect of vessels under construction.

During the three months ended 31 March 2008, the Group acquired assets with a cost of AED 167,831 thousand (Three months ended 31 March 2007: AED 46,909 thousand). The amount of borrowing costs included in the additions during the period is AED 3,772 thousand (Three months ended 31 March 2007: AED 2,345 thousand).

Assets with a net book value of AED 25 thousand (Three months ended 31 March 2007: Nil) were disposed of by the Group during the three months ended 31 March 2008, resulting in a net gain on disposal of AED 16 thousand (Three months ended 31 March 2007: Nil).

Vessels having a net book value of AED 810,754 thousand (2007: AED 822,653 thousand) and vessels under construction at 31 March 2008 are mortgaged as security for term loans (Note 8).

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

8 TERM LOANS

Term loans represent loans obtained from three commercial banks as follows:

- (a) For the construction of four chemical tankers -AED 318,274 thousand outstanding at 31 March 2008 (31 December 2007: AED 198,920 thousand), current portion AED 11,437 thousand (31 December 2007: AED 2,287 thousand)

This loan is secured against assignment of vessels building contract from Hyundai Mipo, assignment of refund guarantee from KEXIM Bank and pledge of shares of subsidiaries owning the vessels. The loan carries interest at *LIBOR* plus 0.7% and is repayable in 40 quarterly instalments beginning after three months of the delivery of the first chemical tanker which is expected by 30 June 2008.

- (b) For acquisition of six Probo vessels- AED 253,912 thousand outstanding at 31 March 2008 (31 December 2007: AED 270,383 thousand), current portion AED 65,880 thousand, (31 December 2007: AED 65,880 thousand)

This loan is secured against assignment of mortgage against Probo vessels and pledge of shares of subsidiaries owning these vessels. The loan carries interest at *LIBOR* plus 0.7% and is repayable in 27 quarterly instalments commenced from 14 March 2007.

- (c) For acquisition of VLCC Vessel- AED 301,950 thousand outstanding at 31 March 2008 (31 December 2007: AED 311,100 thousand), Current portion AED 18,300 thousand (31 December 2007: AED 18,300 thousand)

This loan is secured against assignment of mortgage against VLCC vessel and pledge of shares of subsidiaries owning the vessels. The loan carries interest at *LIBOR* plus 0.7% and is repayable in 20 semi-annual instalments commenced from 28 January 2008.

- (d) For the construction of two Chemical Tankers-AED 86,083 thousand outstanding at 31 March 2008 (31 December 2007: AED 43,041 thousand)

This loan is secured against assignment of vessels building contract from Shina Building Co Ltd, assignment of refund guarantee from Korean Development Bank and pledge of shares of subsidiaries owning the vessel. The loan carries interest at *LIBOR* plus 0.7% and is repayable in 28 quarterly instalments beginning after three months of the delivery of the vessel which is expected by 31 August 2009.

9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

There were no transactions with related parties included in the interim consolidated income statement.

Amounts due to related parties at the balance sheet date represent amounts payable to the shareholders of Gulf Navigation Holding LLC (the LLC) in respect of dividends as discussed below and an amount of AED 5,914 thousand retained to cover the amounts of awards receivables. The shareholders of the LLC resolved in May 2006 to distribute as dividends all of the retained earnings as of 31 December 2005 amounting to AED 36,438 thousand. This amount has been paid to the shareholders of the LLC during November 2006. The shareholders also resolved to distribute the profit that would be earned between 1 January 2006 and the date of the incorporation of the PJSC (30 October 2006) to the shareholders of the LLC after transfer of statutory reserve of AED 223 thousand which amounted to AED 27,708 thousand. This distribution is subject to the approval by the shareholders at the Annual General Meeting.

In addition to the above, directors' fee of AED 4,386 thousand is payable at 31 March 2008 (31 December 2007: Nil).

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

9 RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<i>Three months ended 31 March 2008 (Unaudited) AED'000</i>	<i>Three months ended 31 March 2007 (Unaudited) AED'000</i>
Short-term benefits	422	64
Employees' end of service benefits	14	-
	<u>436</u>	<u>64</u>

10 EARNINGS PER SHARE

	<i>Three months ended 31 March 2008 (Unaudited)</i>	<i>Three months ended 31 March 2007 (Unaudited)</i>
Profit for the period (in thousands)	<u>AED 44,666</u>	<u>AED 24,032</u>
Weighted average number of shares outstanding during the period	<u>1,655,000,000</u>	<u>1,655,000,000</u>
Basic and diluted earnings per share	<u>AED 0.0270</u>	<u>AED 0.0145</u>

11 COMMITMENTS

Lease commitments

a. The Group has entered into contracts with a third party for chartering out of four vessels for a period of fifteen years from the date of delivery of vessels with an option to extend the charter by five years. The Group is required to provide crew for the vessels as well as maintain, insure and overhaul vessels during the period of the charter. The third party may terminate the charter agreements by purchasing one or more of the vessels at written down value at the expiry of each complete year of the charter period. For calculating the written down value, the useful life of the vessel is deemed to be 20 years and the residual value is estimated to be 10%. Daily charter hire is USD 19 thousand (AED 70 thousand) during the period of charter hire.

The vessels are still under construction.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2008

11 COMMITMENTS - continued

b. The Group has obtained a vessel under a bareboat charter for a period of seven years to October 2011. The charter hire is payable as follows:

	<i>2008</i> <i>AED'000</i>	<i>2007</i> <i>AED'000</i>
Within one year	23,380	23,380
After one year but not more than five years	60,463	66,228
Lease expenditure contracted for at the balance sheet date	<u>83,843</u>	<u>89,608</u>

Capital expenditure commitments:

Estimated capital expenditure contracted for at the balance sheet date but not provided for:

	<i>2008</i> <i>AED'000</i>	<i>2007</i> <i>AED'000</i>
Vessels being built to be provided to a third party under time charter agreements	358,058	477,410
Vessels being bought for future use	258,250	301,921
Other vessels	<u>1,581</u>	<u>1,581</u>

12 CONTINGENCIES

Contingent asset

An arbitrator awarded an amount of AED 13,960 thousand on 9 May 2006 in respect of a claim filed by Gulf Navigation Holding LLC (the LLC) against a third party. The Management considers that the arbitration award is a positive step towards recovering the amount through a court of law. Accordingly, the lawyers representing the Group have started proceeding to locate the assets of the third party. Although management believes that the amount will eventually be collected, in order to comply with International Financial Reporting Standards, management has decided not to record the award as an asset until the collection is virtually certain.

Ernst & Young

Assurance | Tax | Transactions | Advisory

www.ey.com/me

© Ernst & Young 2008.
All rights reserved.

