

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2007 (Unaudited)

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Gulf Navigation Holding PJSC (“the PJSC”) and its subsidiaries (collectively “the Group”) as at 31 March 2007 and the related interim consolidated statements of income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim 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

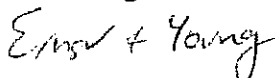
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 31 March 2007 and its financial performance and its cash flows for the period then ended in accordance with IAS 34.

Emphasis of matter

As explained respectively in Notes 3 and 18 to the interim consolidated financial statements:

- (a) At this stage the Group has provisionally recognised values of vessels, equipment and separately identifiable intangible assets and has not performed an impairment test on goodwill. Adjustments to the provisional values will be finalised within twelve months of the transfer date as allowed by International Financial Reporting Standard 3 “Business Combinations” and an impairment test on the carrying value of goodwill will also be performed at that stage.
- (b) The distribution of profit earned up to the date of the incorporation of the PJSC to the shareholders of the LLC is subject to the approval of the relevant authorities.

For Ernst & Young



Signed by
Farrukh Seer
Partner
Registration No. 491

20 April 2007
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 31 March 2007 (Unaudited)

	Notes	<i>Three months ended 31 March 2007</i>		<i>Five months ended 31 March 2007</i>	
		<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Operating revenue	4	15,564	56,965	25,298	92,592
Operating costs	5	(9,671)	(35,398)	(15,648)	(57,274)
GROSS PROFIT		5,893	21,567	9,650	35,318
Other income	6	3,059	11,198	5,172	18,932
Administrative expenses	7	(1,035)	(3,788)	(1,834)	(6,712)
Finance costs		(1,351)	(4,945)	(1,651)	(6,043)
PROFIT FOR THE PERIOD		6,566	24,032	11,337	41,495
Earnings per share	19				
- Basic and diluted		<u>USD 0.0040</u>	<u>AED 0.0145</u>	<u>USD 0.0069</u>	<u>AED 0.0250</u>

A comparison of the operating results of Gulf Navigation Holding PJSC and its subsidiaries for the three months ended 31 March 2007 with the operating results of Gulf Navigation Holding LLC and its subsidiaries is set out in Note 24 to the financial statements.

The attached notes 1 to 24 form part of these interim consolidated financial statements.


Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

At 31 March 2007 (Unaudited)

	Notes	USD'000	AED'000
ASSETS			
Non-current assets			
Vessels and equipment	8	258,245	945,177
Goodwill	9	151,583	554,794
Long term deposit	10	17,614	64,467
		<u>427,442</u>	<u>1,564,438</u>
Current assets			
Inventories		1,034	3,786
Accounts receivable and prepayments	11	12,719	46,552
Bank balances and cash	12	180,097	659,156
		<u>193,850</u>	<u>709,494</u>
TOTAL ASSETS		<u>621,292</u>	<u>2,273,932</u>
EQUITY AND LIABILITIES			
Equity			
Share capital			1,655,000
Retained earnings	13	452,186	48,669
		13,297	
Total equity		<u>465,483</u>	<u>1,703,669</u>
Non-current liabilities			
Term loans	15	141,725	518,714
Employees' end of service benefits	16	129	472
		<u>141,854</u>	<u>519,186</u>
Current liabilities			
Accounts payable and accruals	17	4,769	17,455
Amounts due to related parties	18	9,186	33,622
		<u>13,955</u>	<u>51,077</u>
Total liabilities		<u>155,809</u>	<u>570,263</u>
TOTAL EQUITY AND LIABILITIES		<u>621,292</u>	<u>2,273,932</u>

The interim consolidated financial statements were authorised for issue on 20 April 2007 by:



Abdullah Al-Shuraim
Chairman

The attached notes 1 to 24 form part of these interim consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 31 March 2007 (Unaudited)

	<i>Share capital</i>		<i>Retained earnings</i>		<i>Total</i>	
	<i>USD '000</i>	<i>AED '000</i>	<i>USD '000</i>	<i>AED '000</i>	<i>USD '000</i>	<i>AED '000</i>
Capital introduced	452,186	1,655,000	-	-	452,186	1,655,000
Pre-incorporation profit (note 14)	-	-	1,960	7,174	1,960	7,174
Profit for the five month period ended 31 March 2007	-	-	11,337	41,495	11,337	41,495
Balance at 31 March 2007	<u>452,186</u>	<u>1,655,000</u>	<u>13,297</u>	<u>48,669</u>	<u>465,483</u>	<u>1,703,669</u>

The attached notes 1 to 24 form part of these interim consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Period ended 31 March 2007 (Unaudited)

	<i>Notes</i>	<i>USD'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES			
Profit for the five month period		11,337	41,495
Adjustments for:			
Depreciation	8	3,708	13,572
Provision for employees' end of service benefits	16	30	109
Interest income	6	(5,061)	(18,522)
Finance costs		1,651	6,043
		<u>11,665</u>	<u>42,697</u>
Working capital changes:			
Inventories		(851)	(3,117)
Accounts receivable and prepayments		(1,655)	(6,059)
Accounts payable and accruals		2,459	9,000
Cash from operations		<u>11,618</u>	<u>42,521</u>
Interest paid		(1,651)	(6,043)
Employees' end of service benefits paid	16	(41)	(150)
Net cash from operating activities		<u>9,926</u>	<u>36,328</u>
INVESTING ACTIVITIES			
Purchase of vessels and equipment	8	(15,828)	(57,931)
Interest received	6	5,061	18,522
Pre-incorporation profit	14	1,960	7,174
Net cash used in investing activities		<u>(8,807)</u>	<u>(32,235)</u>
FINANCING ACTIVITIES			
Term loans	15	87,375	319,793
Due to banks		(47,811)	(174,988)
Liabilities against assets under finance lease settled		(104,966)	(384,175)
Share capital received in cash	13	248,634	910,000
Due to related parties		(8,706)	(31,862)
Net cash from financing activities		<u>174,526</u>	<u>638,768</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>175,645</u>	<u>642,861</u>
Cash and cash equivalents acquired at 30 October 2006		4,452	16,295
CASH AND CASH EQUIVALENTS AT 31 MARCH 2007		<u><u>180,097</u></u>	<u><u>659,156</u></u>

The attached notes 1 to 24 form part of these interim consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

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's 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 consolidated balance sheet.

<i>Company</i>	<i>Country of Incorporation</i>
Gulf Navigation Holding PJSC	United Arab Emirates
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 Riyadh Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands

As the PJSC was incorporated on 30 October 2006, comparatives are not presented in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim consolidated financial statements cover the period from the date of incorporation of the PJSC to 31 March 2007 and have been prepared in accordance with International Financial Reporting Standards.

The functional currency of the Group is US Dollars. The balance sheet is also 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 consolidated financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, 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.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES - continued

IFRS and Interpretations issued but not adopted

The Group has not adopted the new Accounting Standards and Interpretations that have been issued but are not yet effective. These standards and interpretations except for IFRS 7 are not likely to have any significant impact on the financial statements of the Group in the period of their initial application. The application of IFRS 7, which will be effective for the year ending 31 December 2007, will result in amended and additional disclosures relating to financial instruments and associated risks.

Revenue recognition

Revenues received from charter are recognised on a straight line basis over the duration of the charter.

Revenue associated with a voyage is recognised by reference to the stage of completion of the voyage at the balance sheet date.

Ship management, ship agency and commercial agency revenues consist of the invoiced value of goods supplied and services rendered during the year, net of discounts and returns.

Brokerage income represents the Group's entitlement in its capacity as agent for services rendered directly to customers. Brokerage and other income is recorded when the related services are rendered.

Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation and any impairment in value.

Capital work in progress is not depreciated. Capital work-in progress is recorded at cost which mainly represents the contractual obligations of the Group for the construction of the vessels. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned for use.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets:

New vessels	25 years
Second hand vessels (Probos)	11-12 years
Leasehold improvements	10 years
Building	30 years
Plant and equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

The carrying values of vessels and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of vessels and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets - continued

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset are capitalised as part of the cost of the asset until the asset is commissioned for use. Other borrowing costs are expensed in the period in which they are incurred.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Inventories

Inventories, comprising of consumables, are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing inventories to their present location and condition on a first-in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred on disposal.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

3 BUSINESS COMBINATION

At 30 October 2006, the assets and liabilities of Gulf Navigation Holding LLC (the LLC), were transferred to Gulf Navigation Holding PJSC (the PJSC) as an in-kind contribution for 45% interest in the PJSC. The PJSC has provisionally recorded identifiable assets and liabilities at the value they were carried in the books of the LLC at the date of transfer, as summarised below:

	<i>USD'000</i>	<i>AED'000</i>
Vessels and equipment	246,125	900,820
Long term deposit	17,614	64,467
Inventories	183	669
Accounts receivable and prepayments	11,064	40,493
Bank balances and cash	4,452	16,295
Term loans	(54,350)	(198,921)
Employees' end of service benefits	(140)	(513)
Liabilities against vessels under finance lease	(104,966)	(384,175)
Due to banks	(47,811)	(174,988)
Accounts payable and accruals	(2,310)	(8,455)
Amounts due to related parties	(17,892)	(65,484)
Book value of identifiable net assets acquired	<u>51,969</u>	<u>190,208</u>
Total fair value of Gulf Navigation Holding LLC (note 13)	203,552	745,000
Book value of net assets acquired, as above	<u>51,969</u>	<u>190,208</u>
Goodwill and other intangible assets (note 9)	<u>151,583</u>	<u>554,792</u>
Cash flow on transfer	<u>4,452</u>	<u>16,295</u>

At this stage, the PJSC has provisionally recognised values of vessels, equipment and separately identifiable intangible assets and has not performed an impairment test on goodwill. Adjustments to the provisional values will be finalised within twelve months of the transfer date as allowed by International Financial Reporting Standard 3 "Business Combinations" and an impairment test on the carrying value of the goodwill will also be performed at that stage.

4 OPERATING REVENUE

	<i>Three months ended</i>		<i>Five months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2007</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Vessel trading revenue	13,971	51,134	22,799	83,445
Ship agency	1,331	4,872	2,018	7,386
Commercial agency	262	959	475	1,739
Ship management income	-	-	6	22
	<u>15,564</u>	<u>56,965</u>	<u>25,298</u>	<u>92,592</u>

Approximately 46% revenue has been earned from two customers.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

5 OPERATING COSTS

	<i>Three months ended</i>		<i>Five months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2007</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Vessel Trading:				
Ship running	3,115	11,402	5,454	19,960
Vessel depreciation	2,241	8,200	3,586	13,124
Bareboat hire	1,559	5,706	2,616	9,575
Bunkering	742	2,716	866	3,173
Other miscellaneous	599	2,194	988	3,616
Ship agency and supplies:				
Operating Cost	1,156	4,231	1,698	6,215
Vessel Depreciation	36	133	40	147
Commercial agency	223	816	398	1,456
Ship management	-	-	2	8
	<u>9,671</u>	<u>35,398</u>	<u>15,648</u>	<u>57,274</u>

6 OTHER INCOME

	<i>Three months ended</i>		<i>Five months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2007</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Bank interest	2,984	10,920	5,061	18,522
Miscellaneous income	75	278	111	410
	<u>3,059</u>	<u>11,198</u>	<u>5,172</u>	<u>18,932</u>

7 ADMINISTRATIVE EXPENSES

	<i>Three months ended</i>		<i>Five months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2007</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Staff salaries and benefits	625	2,288	967	3,540
Business travel and entertainment	98	357	105	382
Depreciation	54	198	82	301
Rent	54	198	79	290
Other administrative expenses	204	747	601	2,199
	<u>1,035</u>	<u>3,788</u>	<u>1,834</u>	<u>6,712</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

8 VESSELS AND EQUIPMENT - continued

The depreciation charge has been allocated in the income statement as follows:

	<i>Three months ended 31 March 2007</i>		<i>Five months ended 31 March 2007</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Operating costs	2,277	8,333	3,626	13,271
Administrative expenses	54	198	82	301
	<u>2,331</u>	<u>8,531</u>	<u>3,708</u>	<u>13,572</u>

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	<i>USD'000</i>	<i>AED'000</i>
Goodwill	125,583	459,634
Intangible assets on transfer	26,000	95,160
	<u>151,583</u>	<u>554,794</u>

As explained in note 3, adjustments to provisionally recognised value will be finalised within twelve months of the date of business combination and an impairment test on the carrying values of goodwill will also be performed at that stage.

10 LONG TERM DEPOSITS

	<i>USD'000</i>	<i>AED'000</i>
Deposits with a related party	1,114	4,077
Other long term deposit	16,500	60,390
	<u>17,614</u>	<u>64,467</u>

Deposits with a related party represent amounts deposited as security against bank guarantee obtained by that party on behalf of the Group. These deposits are denominated in either US Dollars or Kuwaiti Dinars and carry interest at 3% and 4.25% respectively.

Other long term deposit represents amount held under the joint escrow account with the seller of a ship carrying interest at 5.2%. The deposit together with interest will be adjusted against the final payment for the ship when the ship is delivered to the Group.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>USD'000</i>	<i>AED'000</i>
Trade accounts receivable	3,135	11,474
Awards receivable	1,616	5,913
Advances to suppliers	690	2,525
Prepaid expenses	3,060	11,200
Other receivables	4,218	15,440
	<u>12,719</u>	<u>46,552</u>

Trade accounts receivable is primarily due from two parties.

Awards receivable represents amounts awarded by the arbitrators for claims filed by the LLC against certain third parties. Management believe that the amounts of claims awarded by arbitrators will ultimately be recovered. In accordance with an undertaking given by certain shareholders of the LLC, any un-recovered amount will be set-off against amounts payable to them (Note 18).

12 BANK BALANCES AND CASH

Included in bank deposits is an amount of USD 17 thousand (AED : 62 thousand) held in the name of a related party.

Included in bank balances and cash are bank deposits of USD 164,153 thousand (AED: 600,800 thousand) with three commercial banks. These are denominated in UAE Dirhams, short term in nature and carry interest at 6.0% per annum.

13 SHARE CAPITAL

Authorised, issued and fully paid

	<i>USD'000</i>	<i>AED'000</i>
910,000,000 shares of AED 1 each paid in cash	248,634	910,000
745,000,000 shares of AED 1 each paid in kind	203,552	745,000
	<u>452,186</u>	<u>1,655,000</u>

Assets and liabilities of Gulf Navigation Holding LLC, were transferred to Gulf Navigation Holding PJSC (the PJSC) as an in-kind contribution for 45% interest in the PJSC. The fair value of Gulf Navigation Holding LLC was approved by the Ministry of Economy, United Arab Emirates on 5 April 2006 and by the shareholders of the PJSC in the meeting held on 21 September 2006.

14 PRE-INCORPORATION PROFIT

This represents the income earned on investing the money received from IPO subscriptions between the first day of public subscription (24 July 2006) and the date of incorporation of the PJSC, net of expenses related to its incorporation.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

15 TERM LOANS

	<i>USD'000</i>	<i>AED'000</i>
For the construction of four chemical tankers (Note A)	54,350	198,921
For acquisition of six Probo Vessels (Note B)	87,375	319,793
	<u>141,725</u>	<u>518,714</u>

(a) For the construction of four chemical tankers

This loan is secured against assignment of 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 1% 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:

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

16 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	<i>USD'000</i>	<i>AED'000</i>
On transfer from the LLC (note 3)	140	513
Provided during the period	30	109
End of service benefits paid	(41)	(150)
Provision as at 31 March	<u>129</u>	<u>472</u>

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.

17 ACCOUNTS PAYABLE AND ACCRUALS

	<i>USD'000</i>	<i>AED'000</i>
Trade payables	2,539	9,293
Accrued expenses	1,315	4,813
Advances from customers	911	3,334
Others	4	15
	<u>4,769</u>	<u>17,455</u>

18 AMOUNTS DUE TO RELATED PARTIES

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 USD 1,616 thousand (AED 5,913 thousand) retained to cover the amounts of awards receivables (Note 11). 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 USD 9,956 thousand (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 to the shareholders of the LLC after transfer of statutory reserve of USD 61 thousand (AED 223 thousand) which amounted to USD 7,570 thousand (AED 27,708 thousand). This distribution is subject to the approval of the relevant authorities.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

19 EARNINGS PER SHARE

	<i>Three months ended</i>		<i>Five months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2007</i>	
Profit for the period (in thousands)	<u>USD 6,567</u>	<u>AED 23,954</u>	<u>USD 11,338</u>	<u>AED 41,417</u>
Weighted average number of shares outstanding during the period	<u>1,655,000,000</u>	<u>1,655,000,000</u>	<u>1,655,000,000</u>	<u>1,655,000,000</u>
Basic and diluted earnings per share	<u>USD 0.0040</u>	<u>AED 0.0145</u>	<u>USD 0.0069</u>	<u>AED 0.0250</u>

20 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.

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>USD'000</i>	<i>AED'000</i>
Within one year	6,388	23,380
After one year but not more than five years	22,837	83,583
Lease expenditure contracted for at the balance sheet date	<u>29,225</u>	<u>106,963</u>

Capital expenditure commitments:

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

	<i>USD'000</i>	<i>AED'000</i>
Vessels being built to be provided to a third party under time charter agreements	130,440	477,410
Vessels being bought for future use	175,820	643,501
Other vessels	432	1,581

21 CONTINGENCIES

Contingent asset

An arbitrator awarded an amount of USD 3,814 thousand (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. If the award were recorded, the profit of the LLC during the period 1 January 2006 to 29 October 2006 would have increased from USD 7,630 thousand (AED 27,926 thousand) to USD 11,444 thousand (AED 41,886 thousand) and accordingly the amounts due to related parties (Note 18) in the balance sheet of the PJSC at 31 March 2007 would have increased from USD 9,186 thousand (AED 33,622 thousand) to USD 13,000 thousand (AED 47,581 thousand).

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2007 (Unaudited)

21 CONTINGENCIES - continued

Contingent liabilities

At 31 March 2007, the PJSC had contingent liabilities in respect of bank guarantees entered into the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to USD 2,115 thousand (AED 7,740 thousand).

22 RISK MANAGEMENT

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and bank loans).

Credit risk

The Group seeks to limit its credit risk with respect to customers by collecting hire revenue in advance.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations and bank facilities are available.

Currency risk

The financial assets and liabilities of the Group are denominated either in US Dollars or in Arab Emirate Dirhams. US Dollar is currently pegged with the Arab Emirate Dirham.

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of term loans, payables and accrued expenses.

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. At the balance sheet date the fair values of the Group's financial instruments approximate their carrying amounts.

24 COMPARISON OF RESULTS

A comparison of the operating results of Gulf Navigation Holding PJSC and its subsidiaries for the three months ended 31 March 2007 with the operating results of Gulf Navigation Holding LLC and its subsidiaries is as follows:

	<i>Gulf Navigation Holding PJSC</i>		<i>Gulf Navigation Holding LLC</i>	
	<i>Three months ended</i>		<i>Three months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2007</i>		<i>2006</i>	
	<i>USD'000</i>	<i>AED'000</i>	<i>USD'000</i>	<i>AED'000</i>
Operating revenue	15,564	56,965	8,131	29,759
Operating cost	(9,671)	(35,398)	(6,425)	(23,514)
GROSS PROFIT	5,893	21,567	1,706	6,245
Other income	3,059	11,198	122	447
Administrative expenses	(1,035)	(3,788)	(861)	(3,151)
Finance costs	(1,351)	(4,945)	-	-
PROFIT FOR THE PERIOD	6,566	24,032	967	3,541

