
Gulf Navigation Holding PJSC and its Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2007 (Unaudited)

 **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 balance sheet of Gulf Navigation Holding PJSC and its subsidiaries (collectively "the Group") as at 30 June 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 condensed consolidated 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 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

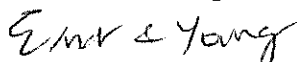
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

As explained respectively in Notes 3 and 13 to the interim condensed 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

22 July 2007
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Periods ended 30 June 2007 (Unaudited)

		<i>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Operating revenue	4	110,675	53,710	146,302
Operating cost	5	<u>(67,848)</u>	<u>(32,450)</u>	<u>(89,724)</u>
GROSS PROFIT		42,827	21,260	56,578
Other income	6	21,992	10,794	29,726
Administrative expenses	7	(7,371)	(3,583)	(10,295)
Finance costs		<u>(9,861)</u>	<u>(4,916)</u>	<u>(10,959)</u>
PROFIT FOR THE PERIOD		<u>47,587</u>	<u>23,555</u>	<u>65,050</u>
Earnings per share	14			
- Basic and diluted		<u><u>AED 0.0287</u></u>	<u><u>AED 0.0142</u></u>	<u><u>AED 0.0393</u></u>

A comparison of the operating results of Gulf Navigation Holding PJSC and its subsidiaries for the six and three months ended 30 June 2007 with the operating results of Gulf Navigation Holding LLC and its subsidiaries is set out in Note 17 to the financial statements.

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
At 30 June 2007 (Unaudited)

	<i>Notes</i>	<i>AED'000</i>
ASSETS		
Non-current assets		
Vessels and equipment	8	940,119
Goodwill and other intangible assets	9	564,020
Long term deposit	10	60,390
		<u>1,564,529</u>
Current assets		
Inventories		4,011
Accounts receivable and prepayments	11	36,871
Bank balances and cash		678,317
		<u>719,199</u>
		<u>2,283,728</u>
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Equity		
Share capital		1,655,000
Retained earnings		72,224
		<u>1,727,224</u>
Total equity		
Non-current liabilities		
Term loans		502,242
Employees' end of service benefits		536
		<u>502,778</u>
Current liabilities		
Accounts payable and accruals	12	20,104
Amounts due to related parties	13	33,622
		<u>53,726</u>
		<u>556,504</u>
Total liabilities		
TOTAL EQUITY AND LIABILITIES		
		<u>2,283,728</u>

The interim condensed consolidated financial statements were authorised for issue on 22nd July 2007 by:



Abdullah Al-Shuraim
Chairman

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from the date of incorporation to 30 June 2007 (Unaudited)

	<i>Share Capital</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Capital introduced	1,655,000	-	1,655,000
Pre-incorporation profit	-	7,174	7,174
Profit from the date of incorporation to 30 June 2007	-	65,050	65,050
Balance at 30 June 2007	1,655,000	72,224	1,727,224

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Period from the date of incorporation to 30 June 2007 (Unaudited)

AED'000

OPERATING ACTIVITIES	
Profit from the date of incorporation to 30 June 2007	65,050
Adjustments for:	
Depreciation	22,261
Provision for employees' end of service benefits	176
Profit on sale of vessels and equipments	(11)
Interest income	(29,102)
Finance costs	10,959
	69,333
Working capital changes:	
Inventories	(3,342)
Accounts receivable and prepayments	8,451
Accounts payable and accruals	11,649
	86,091
Cash from operations	86,091
Interest paid	(10,959)
Employees' end of service benefits paid	(153)
	74,979
INVESTING ACTIVITIES	
Purchase of vessels and equipment	(61,588)
Proceeds from disposal of vessels and equipment	37
Interest received	24,273
Pre-incorporation profit	7,174
Long term deposit	4,077
Other intangible assets	(9,226)
	(35,253)
FINANCING ACTIVITIES	
Term loans	303,321
Due to banks	(174,988)
Liabilities against assets under finance lease settled	(384,175)
Share capital received in cash	910,000
Due to related parties	(31,862)
	622,296
Net cash from financing activities	622,296
INCREASE IN CASH AND CASH EQUIVALENTS	622,022
Cash and cash equivalents acquired at 30 October 2006	16,295
CASH AND CASH EQUIVALENTS AT 30 JUNE 2007	678,317

The attached notes 1 to 17 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 30 June 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 Riyad 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 BASIS OF PREPERATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the quarterly financial statements for the period ended 31 March 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 eight months ended 30 June 2007 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2007.

The functional currency of the Group is US Dollars. In the previous quarter, the financial statements were presented in US Dollars and United Arab Emirates Dirhams. In this quarter, the financial statements are presented only in United Arab Emirates Dirhams. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66 for presentation purposes.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2007 (Unaudited)

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>AED'000</i>
Vessels and equipment	900,818
Long term deposit	64,467
Inventories	669
Accounts receivable and prepayments	40,493
Bank balances and cash	16,295
Term loans	(198,921)
Employees' end of service benefits	(513)
Liabilities against vessels under finance lease	(384,175)
Due to banks	(174,988)
Accounts payable and accruals	(8,455)
Amounts due to related parties	(65,484)
	<u>190,206</u>
Book value of identifiable net assets acquired	<u>190,206</u>
	<u>745,000</u>
Total fair value of Gulf Navigation Holding LLC	745,000
Book value of net assets acquired, as above	<u>190,206</u>
Goodwill and other intangible assets (note 9)	<u>554,794</u>
	<u>16,295</u>
Cash flow on transfer	<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>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Vessel chartering	100,846	49,712	133,157
Ship agency	7,893	3,021	10,407
Commercial agency	1,892	933	2,672
Ship management income	44	44	66
	<u>110,675</u>	<u>53,710</u>	<u>146,302</u>

Approximately 51% revenue has been earned from two customers.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2007 (Unaudited)

5 OPERATING COST

	<i>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Vessel chartering:			
Ship running	23,152	11,750	31,710
Vessel depreciation	16,490	8,290	21,414
Bareboat hire	11,476	5,770	15,345
Bunkering	3,585	869	4,042
Other miscellaneous	5,054	2,860	6,476
Ship agency:			
Operating Cost	6,186	1,955	8,170
Vessel depreciation	265	132	279
Commercial Agency	1,640	824	2,280
Ship management	-	-	8
	<u>67,848</u>	<u>32,450</u>	<u>89,724</u>

6 OTHER INCOME

	<i>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Finance income	21,500	10,580	29,102
Miscellaneous income	492	214	624
	<u>21,992</u>	<u>10,794</u>	<u>29,726</u>

7 ADMINISTRATIVE EXPENSES

	<i>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Staff salaries and benefits	4,537	2,249	5,789
Business travel and entertainment	556	199	581
Depreciation	465	267	568
Rent	290	92	382
Other administrative expenses	1,523	776	2,975
	<u>7,371</u>	<u>3,583</u>	<u>10,295</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2007 (Unaudited)

8 VESSELS AND EQUIPMENT

Vessels and equipment includes an amount of AED 485,832 thousand as advance paid for the construction of six ships.

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	<i>AED'000</i>
Goodwill and other intangible assets on acquisition (note 3)	554,794
Other intangible assets (dry-docking costs, loan arrangement fees)	9,226
	<u>564,020</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 DEPOSIT

Long term deposit represents amount held under a 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.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>AED'000</i>
Trade accounts receivable	12,398
Awards receivable	5,914
Advances to suppliers	1,427
Prepaid expenses	8,269
Other receivables	8,863
	<u>36,871</u>

Trade accounts receivable are 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 13).

12 ACCOUNTS PAYABLE AND ACCRUALS

	<i>AED'000</i>
Trade payables	8,378
Accrued expenses	6,811
Advances from customers	4,915
	<u>20,104</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2007 (Unaudited)

13 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 AED 5,914 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 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 AED 223 thousand which amounted to AED 27,708 thousand. This distribution is subject to the approval of the relevant authorities.

14 EARNINGS PER SHARE

	<i>1 January to 30 June 2007 (6 months)</i>	<i>1 April to 30 June 2007 (3 months)</i>	<i>Date of incorporation to 30 June 2007 (8 months)</i>
Profit for the period (in thousands)	<u>AED 47,587</u>	<u>AED 23,555</u>	<u>AED 65,050</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>
Basic and diluted earning per share	<u>AED 0.0287</u>	<u>AED 0.0142</u>	<u>AED 0.0393</u>

15 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 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>AED'000</i>
Within one year	23,378
After one year but not more than five years	78,013
Lease expenditure contracted for at the balance sheet date	<u>101,391</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2007 (Unaudited)

15 COMMITMENTS - continued

Capital expenditure commitments:

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

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

16 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. If the award were recorded, the profit of the LLC during the period 1 January 2006 to 29 October 2006 would have increased from AED 27,926 thousand to AED 41,886 thousand, and accordingly the amounts due to related parties (Note 13) in the balance sheet of the PJSC at 30 June 2007 would have increased from AED 33,622 thousand to AED 47,582 thousand.

17 COMPARISON OF RESULTS

A comparison of the operating results of Gulf Navigation Holding PJSC (the "PJSC") and its subsidiaries for six and three months ended 30 June 2007 with the operating results of Gulf Navigation Holding LLC (the "LLC") and its subsidiaries is as follows:

	<i>PJSC</i>		<i>LLC</i>	
	<i>Six months ended 30 June</i>		<i>Three months ended 30 June</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Operating revenue	110,675	67,399	53,710	37,640
Operating cost	<u>(67,848)</u>	<u>(47,770)</u>	<u>(32,450)</u>	<u>(24,256)</u>
GROSS PROFIT	42,827	19,629	21,260	13,384
Other income	21,992	761	10,794	314
Administrative expenses	(7,371)	(4,948)	(3,583)	(1,797)
Finance costs	<u>(9,861)</u>	-	<u>(4,916)</u>	-
PROFIT FOR THE PERIOD	<u>47,587</u>	<u>15,442</u>	<u>23,555</u>	<u>11,901</u>