

**Gulf Navigation Holding PJSC  
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**30 JUNE 2008**

## **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 30 June 2008, comprising of the interim consolidated balance sheet as at 30 June 2008 and the related interim consolidated statements of income, changes in equity and cash flow for the six 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.

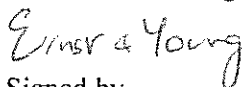
### ***Scope of Review***

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

17 July 2008

Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2008 (Unaudited)

	Notes	<i>Six months</i>		<i>Three months</i>	
		<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Operating revenue	3	200,883	110,675	106,047	53,710
Operating costs	4	(96,525)	(67,848)	(50,547)	(32,450)
<b>GROSS PROFIT</b>		<b>104,358</b>	<b>42,827</b>	<b>55,500</b>	<b>21,260</b>
Other income	5	15,705	21,992	6,167	10,794
Administrative expenses	6	(13,039)	(7,371)	(6,749)	(3,583)
Finance costs		(14,066)	(9,861)	(6,626)	(4,916)
<b>PROFIT FOR THE PERIOD</b>		<b>92,958</b>	<b>47,587</b>	<b>48,292</b>	<b>23,555</b>
Earnings per share	10				
- Basic and diluted		AED 0.056	AED 0.029	AED 0.029	AED 0.014

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

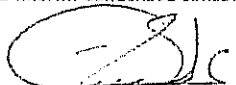
Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

At 30 June 2008 (Unaudited)

		30 June 2008 (Unaudited) AED'000	31 December 2007 (Audited) AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Vessels and equipment	7	1,557,096	1,332,708
Goodwill and other intangible assets		587,340	581,559
		<u>2,144,436</u>	<u>1,914,267</u>
<b>Current assets</b>			
Inventories		4,784	3,608
Accounts receivable and prepayments		39,201	35,443
Bank balances and cash		676,581	736,959
		<u>720,566</u>	<u>776,010</u>
<b>TOTAL ASSETS</b>		<u><u>2,865,002</u></u>	<u><u>2,690,277</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1,655,000	1,655,000
Statutory reserve		14,068	14,068
Cumulative changes in fair value		(25,432)	(19,918)
Retained earnings		127,323	6,381
Proposed dividends		-	115,850
Proposed directors fees		-	4,386
<b>Total equity</b>		<u>1,770,959</u>	<u>1,775,767</u>
<b>Non-current liabilities</b>			
Term loans	8	925,046	736,977
Employees' end of service benefits		643	521
		<u>925,689</u>	<u>737,498</u>
<b>Current liabilities</b>			
Accounts payable and accruals		57,823	56,923
Amounts due to related parties	9	5,914	33,622
Dividends payable		6,346	-
Current portion of term loans	8	98,271	86,467
		<u>168,354</u>	<u>177,012</u>
<b>Total liabilities</b>		<u>1,094,043</u>	<u>914,510</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,865,002</u></u>	<u><u>2,690,277</u></u>

The interim condensed consolidated financial statements were authorised for issue on 17 July 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 30 June 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 01 January 2007	1,655,000	-	-	24,637	-	-	1,679,637
Profit for the period	-	-	-	47,587	-	-	47,587
Balance at 30 June 2007	1,655,000	-	-	72,224	-	-	1,727,224
Balance at 1 January 2008	1,655,000	14,068	(19,918)	6,381	115,850	4,386	1,775,767
Directors' fees waived	-	-	-	276	-	(276)	-
Profit of LLC transferred to PJSC (Note 9)	-	-	-	27,708	-	-	27,708
Net movement in fair value of cash flow hedges	-	-	(5,514)	-	-	-	(5,514)
Total income (expense) for the period recognised directly in equity	-	-	(5,514)	27,984	-	(276)	22,194
Profit for the period	-	-	-	92,958	-	-	92,958
Total income (expense) for the period	-	-	(5,514)	120,942	-	(276)	115,152
Transferred to liabilities on approval	-	-	-	-	(115,850)	(4,110)	(119,960)
<b>Balance at 30 June 2008</b>	<b>1,655,000</b>	<b>14,068</b>	<b>(25,432)</b>	<b>127,323</b>	<b>-</b>	<b>-</b>	<b>1,770,959</b>

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 30 June 2008 (Unaudited)

	<i>Notes</i>	<i>Six months ended 30 June 2008 AED'000</i>	<i>Six months ended 30 June 2007 AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		92,958	47,587
Adjustments for:			
Depreciation		25,551	17,222
Amortisation of intangible assets		6,555	-
Provision for employees' end of service benefits		254	127
Profit on disposal of equipment		(36)	(11)
Finance income	5	(14,800)	(21,502)
Finance costs		14,066	9,861
		<u>124,548</u>	<u>53,284</u>
Working capital changes:			
Inventories		(1,176)	(1,907)
Accounts receivable and prepayments		(3,758)	(3,235)
Accounts payable and accruals		(4,614)	(8,795)
Cash from operations		115,000	39,347
Finance cost paid		(21,720)	(14,553)
Employees' end of service benefits paid		(132)	(3)
Net cash from operating activities		<u>93,148</u>	<u>24,791</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of vessels and equipment		(242,336)	(45,876)
Proceeds from disposal of equipment	7	87	37
Intangible assets disbursed		(12,336)	(9,226)
Finance income received		14,800	21,500
Long term deposits		-	4,077
Net cash used in investing activities		<u>(239,785)</u>	<u>(29,488)</u>
<b>FINANCING ACTIVITIES</b>			
Term loans proceeds		241,963	-
Term loans repaid		(42,090)	(32,940)
Dividends paid		(109,504)	-
Directors fees paid		(4,110)	-
Net cash from / (used in) financing activities		<u>86,259</u>	<u>(32,940)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(60,378)</b>	<b>(37,637)</b>
Cash and cash equivalents at the beginning of the period		<u>736,959</u>	<u>715,952</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>		<u><u>676,581</u></u>	<u><u>678,315</u></u>

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

# Gulf Navigation Holding PJSC and its subsidiaries

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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 32<sup>nd</sup> 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	Marshall Islands
Gulf Jash Shipping Inc	Panama
Gulf Mishref Shipping Inc	Marshall Islands
Gulf Mizwar Shipping Inc	Marshall Islands
Gulf Shagra Shipping Inc	Marshall Islands
Gulf Sieb Shipping Inc	Panama
Gulf Riyadh Shipping Inc	Marshall Islands
Gulf Safwa Shipping Inc	Marshall Islands
Gulf Sheba Shipping Limited	Hong Kong

### 2 BASIS OF PREPERATION AND ACCOUNTING POLICIES

#### **Basis of preparation**

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The functional currency of the Group is US Dollars. However, the interim condensed consolidated financial statements are presented in United Arab Emirates Dirhams being the domicile currency. 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 modified to include the measurement at fair value of derivative financial instruments.

#### **Basis of consolidation**

The 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.

# Gulf Navigation Holding PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### Basis of consolidation (continued)

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 financial statements prepared for the 14 month 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 30 June 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

### 3 OPERATING REVENUE

	<i>Six months</i>		<i>Three months</i>	
	<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Vessel chartering	191,068	100,846	100,605	49,712
Ship agency	8,245	7,893	4,565	3,021
Commercial agency	1,570	1,892	877	933
Ship management income	-	44	-	44
	<u>200,883</u>	<u>110,675</u>	<u>106,047</u>	<u>53,710</u>

### 4 OPERATING COSTS

	<i>Six months</i>		<i>Three months</i>	
	<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Vessel chartering:				
Ship running	33,844	23,152	18,221	11,750
Vessel depreciation	24,775	16,490	12,799	8,290
Bareboat hire	11,541	11,476	5,771	5,770
Commission on freight	6,810	-	3,389	-
Dry docking	5,659	-	2,828	-
Charter hire	4,109	-	2,054	-
Bunkering	261	3,585	105	869
Other miscellaneous	2,491	5,052	1,513	2,860
Ship agency:				
Operating cost	5,435	6,186	2,999	1,955
Vessel depreciation	266	267	133	132
Commercial agency	1,334	1,640	735	824
	<u>96,525</u>	<u>67,848</u>	<u>50,547</u>	<u>32,450</u>



# Gulf Navigation Holding PJSC and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2008

### 5 OTHER INCOME

	<i>Six months</i>		<i>Three months</i>	
	<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Finance income	13,580	5,021	5,110	4,894
Other finance income	1,220	16,481	496	5,686
Miscellaneous income	905	490	561	214
	<u>15,705</u>	<u>21,992</u>	<u>6,167</u>	<u>10,794</u>

Finance income represents profit earned on funds placed with Sharia compliant financial institutions.

### 6 ADMINISTRATIVE EXPENSES

	<i>Six months</i>		<i>Three months</i>	
	<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Staff salaries and benefits	6,146	4,537	3,215	2,249
Other administrative expenses	6,893	2,834	3,534	1,334
	<u>13,039</u>	<u>7,371</u>	<u>6,749</u>	<u>3,583</u>

### 7 VESSELS AND EQUIPMENT

Vessels and equipment include AED 533,654 thousand (31 December 2007: 493,138 thousand ) in respect of vesels under construction.

During the six months ended 30 June 2008, the Group acquired assets with a cost of AED 249,990 thousand (2007: AED 50,568 thousand) including AED 7,654 thousand in respect of borrowing costs capitalised (six months ended 30 June 2007: AED 4,692 thousand).

Assets with a net book value of AED 51 thousand (2007: AED 26 thousand) were disposed of by the Group during the six month period ended 30 June 2008, resulting in a net gain on disposal of AED 36 thousand (six months ended 30 June 2007: AED 11 thousand).

Vessels having net book value of AED 1,007,176 thousand (2007: AED 822,653 thousand) and vessels under construction at 30 June 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 30 June 2008

#### 8 TERM LOANS

This represents loans obtained from commercial banks as follows:

- (a) For the construction of four chemical tankers -AED 397,842 thousand outstanding at 30 June 2008 (31 December 2007 : AED 198,920 thousand) Current portion AED 14,091 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 on 21 May 2008.

- (b) For acquisition of six Probo Vessels- AED 237,442 thousand outstanding at 30 June 2008 (31 December 2007 : AED 270,383 thousand) Current portion AED 65,880 thousand (Current portion 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 30 June 2008 (31 December 2007 : AED 311,100 thousand) Current portion AED 18,300 thousand (Current portion 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 beginning from 28 January 2008.

- (d) For the construction of two Chemical Tankers- AED 86,083 thousand outstanding at 30 June 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 vessels 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 consolidated income statement.

Amounts due to related parties at 30 June 2008 represent amounts payable to the shareholders of Gulf Navigation Holding LLC (the LLC) in respect of an amount of AED 5,914 thousand (31 December 2007: AED 5,914 thousand) retained to cover the amounts of awards receivables guaranteed by them.

In 2006 the shareholders of Gulf Navigation Holding LLC (the LLC) 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, which after transfer of statutory reserve of AED 223 thousand amounted to AED 27,708 thousand. However, during the current period the Board of Directors of the PJSC and the shareholders of former LLC have decided to transfer the above profit of AED 27,708 thousand to the shareholders of the PJSC. Accordingly, this amount has been transferred from due to the shareholders of LLC to retained earnings of the PJSC.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

At 30 June 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:

	<u>Six months</u>		<u>Three months</u>	
	<i>1 January to 30 June 2008 (Unaudited) AED'000</i>	<i>1 January to 30 June 2007 (Unaudited) AED'000</i>	<i>1 April to 30 June 2008 (Unaudited) AED'000</i>	<i>1 April to 30 June 2007 (Unaudited) AED'000</i>
Short-term benefits	979	64	557	64
Employees' end of service benefits	14	-	-	-

10 EARNINGS PER SHARE

	<u>Six months</u>		<u>Three months</u>	
	<i>1 January to 30 June 2008 (Unaudited)</i>	<i>1 January to 30 June 2007 (Unaudited)</i>	<i>1 April to 30 June 2008 (Unaudited)</i>	<i>1 April to 30 June 2007 (Unaudited)</i>
Profit for the period (in thousand)	92,958	47,587	48,292	23,555
Add: Directors' fees waived (in thousand)	276	-	276	-
	<u>93,234</u>	<u>47,587</u>	<u>48,568</u>	<u>23,555</u>
Weighted average number of shares outstanding during the period (in thousand)	<u>1,655,000</u>	<u>1,655,000</u>	<u>1,655,000</u>	<u>1,655,000</u>
Basic and diluted earning per share	<u>AED 0.056</u>	<u>AED 0.029</u>	<u>AED 0.029</u>	<u>AED 0.014</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

At 30 June 2008

**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 AED 70 thousand during the period of charter hire.

Out of the four vessels, one vessel is now available and has been chartered out during the period. The other three 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>30 June 2008 (Unaudited) AED'000</i>	<i>31 December 2007 (Audited) AED'000</i>
Within one year	23,378	23,378
After one year but not more than five years	54,635	66,228
Lease expenditure contracted for at the balance sheet date	<u>78,013</u>	<u>89,606</u>

**Capital expenditure commitments:**

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

	<i>30 June 2008 (Unaudited) AED'000</i>	<i>31 December 2007 (Audited) AED'000</i>
Vessels being built to be provided to a third party under time charter agreements	278,489	477,410
Vessels being built for future use	258,250	301,291
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.