ASSURANCE AND ADVISORY
BUSINESS SERVICES

Gulf Navigation Holding PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2007

ERNST & YOUNG

BOARD OF DIRECTORS' REPORT

The Board of Directors of Gulf Navigation Holding PJSC and subsidiaries (the Group) has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the 14 month period ended 31 December, 2007.

Financial Result

The Group has earned a net profit of AED 140.69 million up to 31 December 2007, consisting of:

	AED in million
Profit from 30th October to 31 December 2006	17.46
Profit from1st January to 31 December 2007	116.05
	133.51
Pre-incorporation profit	7.18
	140.69

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law an appropriation of AED 14.07 million is made to statutory reserve from the distributable profit of AED 140.69 million.

The dividend of 7 fils per share equivalent to AED 115.85 million and Directors Remuneration of AED 4.39 Million proposed for the approval at the forthcoming Annual General meeting of the shareholders

The balance of AED 6.38 million transferred to retained earnings.

The share holders fund as at 31 December 2007 amount to AED 1.78 billion

Directors:

Mr. Abdullah A. Al-Shuraim	(Chairman)
Mr. Rashed Al Shamsi	(Vice Chairman)
Mr. Ghazi A. Al-Ibrahim	(Director)
Mr. Fahad G. Al-Otaibi	(Director)
Mr. Anees Mohammad Issa	(Director)
Mr. Hazza B. Al-Qahtani	(Director)
Mr. Khaled Al Zamil	(Director)
Mr. Abdul Rahman Al Saleh	(Director)
Mr. Abdullah Al Housani	(Director)
Mr. Ali Hamdan Ahmed	(Director)

Abdullah A Al- Shuraim
Chairman
Dubai
Date: 06th Feb 2008

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

We have audited the accompanying financial statements of Gulf Navigation Holding PJSC ("the PJSC") and its subsidiaries (collectively "the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the 14 month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Group is responsible for the preparation and presentation of the consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and its financial performance and its cash flows for the 14 month period then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

For Ernst & Young

Ernst & Young

Signed by
Farrukh Seer
Partner
Registration No. 491

6 February 2008
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
Period ended 31 December 2007

	Notes	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Operating revenue	4	**272,121**	**307,748**
Operating costs	5	**(156,585)**	**(178,461)**
GROSS PROFIT		**115,536**	**129,287**
Other income	6	**46,850**	**54,584**
Administrative expenses	7	**(18,808)**	**(21,732)**
Finance costs		**(27,530)**	**(28,628)**
PROFIT FOR THE YEAR/PERIOD		**116,048**	**133,511**
Earnings per share	22		
- Basic and diluted (AED)		**0.07**	**0.08**

A comparison of the operating results for twelve months ended 31 December 2007 with the operating results for the 12 months ended 31 December 2006 of the Company and its predecessor company is included in Note 29.

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2007

	Notes	AED'000
ASSETS		
Non-current assets		
Vessels and equipment	8	**1,332,708**
Goodwill and other intangible assets	9	**581,559**
		1,914,267
Current assets		
Inventories		**3,608**
Accounts receivable and prepayments	10	**35,443**
Bank balances and cash	11	**736,959**
		776,010
TOTAL ASSETS		**2,690,277**
EQUITY AND LIABILITIES		
Equity		
Share capital	12	**1,655,000**
Statutory reserve	13	**14,068**
Cumulative changes in fair values	15	**(19,918)**
Retained earnings		**6,381**
Proposed dividends	16	**115,850**
Proposed directors' fees	17	**4,386**
Total equity		**1,775,767**
Non-current liabilities		
Term loans	18	**736,977**
Employees' end of service benefits	19	**521**
		737,498
Current liabilities		
Accounts payable and accruals	20	**56,923**
Amounts due to related parties	21	**33,622**
Current portion of term loans	18	**86,467**
		177,012
Total liabilities		**914,510**
TOTAL EQUITY AND LIABILITIES		**2,690,277**

The financial statements were authorised for issue in accordance with a resolution of directors on 6 February 2008.

Abdullah Al-Shuraim
Chairman

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 31 December 2007

	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*
Capital introduced	1,655,000	-	-	-	-	-	1,655,000
Pre-incorporation profit (Note 14)	-	-	-	7,174	-	-	7,174
Net movement in fair value of cash flow hedges (Note 15)	-	-	(19,918)	-	-	-	(19,918)
Total income (expense) for the period recognised directly in equity	-	-	(19,918)	7,174	-	-	(12,744)
Profit for the period	-	-	-	133,511	-	-	133,511
Total recognised income (expense) for the period	-	-	(19,918)	140,685	-	-	120,767
Transferred to statutory reserve (Note 13)							
- from profit for the period	-	13,351	-	(13,351)	-	-	-
- from pre-incorporation profit	-	717	-	(717)	-	-	-
Proposed dividends (Note 16)	-	-	-	(115,850)	115,850	-	-
Proposed Directors' fees (Note 17)	-	-	-	(4,386)	-	4,386	-
Balance at 31 December 2007	**1,655,000**	**14,068**	**(19,918)**	**6,381**	**115,850**	**4,386**	**1,775,767**

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Period ended 31 December 2007

	Notes	AED'000
OPERATING ACTIVITIES		
Profit for the period		133,511
Adjustments for:		
Depreciation	8	46,055
Amortisation of intangible assets	9	5,369
Provision for employees' end of service benefits	19	337
Profit on sale of equipment		(9)
Finance income	6	(49,646)
Finance costs		28,628
		164,245
Working capital changes:		
Inventories		(2,939)
Accounts receivable and prepayments		11,587
Accounts payable and accruals		28,550
Cash from operations		201,443
Interest paid		(28,628)
Employees' end of service benefits paid	19	(329)
Net cash from operating activities		172,486
INVESTING ACTIVITIES		
Purchase of vessels and equipment	8	(477,982)
Proceeds from disposal of equipment		46
Interest received		43,109
Pre-incorporation profit	14	7,174
Long term deposit encashed		64,467
Other intangible assets	9	(32,134)
Fixed deposits maturing beyond three months	11	(620,150)
Net cash used in investing activities		(1,015,470)
FINANCING ACTIVITIES		
Term loans obtained		690,403
Term loans repaid		(65,880)
Due to banks repaid		(174,988)
Liabilities against assets under finance lease settled		(384,175)
Share capital received in cash	12	910,000
Amounts due to related parties		(31,862)
Net cash from financing activities		943,498
INCREASE IN CASH AND CASH EQUIVALENTS		100,514
Cash and cash equivalents acquired on 30 October 2006	3	16,295
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2007	11	116,809

The attached notes 1 to 29 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2007

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 consolidated financial statements.

Company	*Country of Incorporation*
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
Gulf Sheba Shipping Limited	Hong Kong

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

These are the first statutory financial statements of the PJSC prepared from the date of incorporation i.e. 30 October 2006 to 31 December 2007. Accordingly no comparatives have been presented in these consolidated financial statements.

The functional currency of the Group is US Dollars. However, the 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 consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively "the Group") using consistent reporting period and 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.

Early adoption of IFRS
The Group has adopted and applied the following IASB standards and interpretations, which were effective for financial periods commencing on or after 1 January 2007. Adoption of these standards and interpretations did not have any effect on the financial position of the Group. They did, however, give rise to the additional disclosures. The principal effects of this adoption are as follows:

Amendments to IAS 1 – Presentation of Financial Statements
These amendments require the Group to make disclosures enabling the users of financial statements to understand the Group's objectives, policies and processes for managing capital. The disclosures are shown in Note 25.

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of Group's financial instruments and the nature and extent of risks arising from those financial instruments. The disclosures are primarily shown in Notes 10 and 25.

IASB Standards and Interpretations issued but not adopted
The Group has not adopted the revised IAS 1 " Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the financial statements.

The Group has also not adopted IFRS 8 "Operating Segments" application of which will be effective for the year ending 31 December 2009 and will result in amended and additional disclosures relating to operating segments.

Revenue recognition
Revenues received from charter is 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, net of discounts and returns.

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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.

2 **SIGNIFICANT ACCOUNTING POLICIES** - continued

Vessels and equipment - continued

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

New vessels	25 Years
Used vessels	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.

An item of vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the income statement in the period the asset is derecognised.

Goodwill
Goodwill is initially measured at cost being the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired. 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.

Intangible assets
Other intangible assets include dry docking costs and loan arrangement fees. 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, such assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life. 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.

Amortisation is calculated to write down the cost of intangible assets over their estimated useful lives as follows.

Dry docking costs	2 to 4 years on a straight line method
Loan arrangement fee	Loan period based on outstanding loan balance

Borrowing cost
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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Derivative financial instruments - continued

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised.

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 fair value which approximates the carrying value of the identifiable assets and liabilities of the LLC at the date of transfer are summarised below:

	AED'000
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)**
Fair value of identifiable net assets acquired	**190,206**
Total fair value of Gulf Navigation Holding LLC	**745,000**
Fair value of net assets acquired, as above	**190,206**
Goodwill	**554,794**
Cash flow on transfer	**16,295**

4 OPERATING REVENUE

	1 January to 31 December 2007 (12 months) AED'000	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Vessel chartering	**252,408**	**284,719**
Ship agency	**15,389**	**17,903**
Commercial agency	**4,280**	**5,060**
Ship management income	**44**	**66**
	272,121	**307,748**

Approximately 53% revenue has been earned from three customers.

5 OPERATING COSTS

	1 January to 31 December 2007 (12 months) AED'000	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Vessel chartering:		
Ship running	54,357	62,915
Vessel depreciation	39,437	44,360
Bareboat hire	23,145	27,014
Charter Hire	3,363	3,363
Bunkering	5,271	5,728
Other miscellaneous	15,673	17,095
Ship agency:		
Operating Cost	11,048	13,032
Vessel depreciation	535	550
Commercial Agency	3,756	4,396
Ship management	-	8
	156,585	**178,461**

6 OTHER INCOME

	1 January to 31 December 2007 (12 months) AED'000	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Finance income	42,044	49,646
Miscellaneous income	4,806	4,938
	46,850	**54,584**

7 ADMINISTRATIVE EXPENSES

	1 January to 31 December 2007 (12 months) AED'000	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Staff salaries and benefits	10,219	11,471
Business travel and entertainment	940	965
Depreciation	1,042	1,145
Rent	522	614
Other administrative expenses	6,085	7,537
	18,808	**21,732**

8 VESSELS AND EQUIPMENT

	Vessels	*Building*	*Leasehold improvements*	*Equipment*	*Furniture & fixtures*	*Vehicles*	*Capital work in progress*	*Total*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
Cost:								
On transfer from the LLC (note 3)	459,458	-	1,599	318	128	285	439,030	900,818
Additions	412,857	-	743	553	187	102	63,540	477,982
Transfers	547	8,885	-		-	-	(9,432)	-
Disposal	-	-	-	(11)	-	(37)	-	(48)
At 31 December 2007	872,862	8,885	2,342	860	315	350	493,138	1,378,752
Depreciation:								
Charge for the period	44,910	264	366	337	90	88	-	46,055
Relating to disposals	-	-	-	(4)	-	(7)	-	(11)
At 31 December 2007	44,910	264	366	333	90	81	-	46,044
Net carrying amount:								
At 31 December 2007	**827,952**	**8,621**	**1,976**	**527**	**225**	**269**	**493,138**	**1,332,708**

Capital work in progress mainly represents advance paid for the construction of six ships.

The amount of borrowing costs included within capital work in progress during the period is AED 12,485 thousand.

Vessels having net book value of AED 822,653 thousand and vessels under construction at 31 December 2007 are mortgaged as security for term loan (note 18).

8 VESSELS AND EQUIPMENT - continued

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

	AED'000
Operating costs	**44,910**
Administrative expenses	**1,145**
	46,055

9 GOODWILL AND OTHER INTANGIBLE ASSETS

	AED'000
Goodwill on transfer (note 3)	**554,794**
Other intangible assets (dry-docking costs, loan arrangement fees)	**26,765**
	581,559

Other intangible assets consists of:

	AED'000
Cost incurred during the period and at 31 December 2007	**32,134**
Amortisation during the period and at 31 December 2007	**(5,369)**
Net book value at 31 December 2007	**26,765**

The carrying amount of the goodwill has been allocated to the business as a whole. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period.

The discount rate applied to cash flow projections is 12% and the cash flows beyond the five-year period are extrapolated using a 1% growth rate.

Key assumptions used in value in use calculations are:

Gross Margin
Gross margin is based on the current level of activity and the anticipated impact of new vessels, which are currently under construction, joining the Group.

Discount rates
This reflects management's benchmark for evaluating investment proposals. Regard has been given to yield on bank deposits.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	AED'000
Trade accounts receivable	**13,467**
Accrued interest on fixed deposits	**6,488**
Awards receivable	**5,914**
Advances to suppliers	**531**
Prepaid expenses	**7,444**
Other receivables	**1,599**
	35,443

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS - continued

As at 31 December 2007, trade receivables at nominal value of AED 2,159 thousand were doubtful, against which a full provision has been made during the period.

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total *AED'000*	*Neither past due nor impaired* *AED'000*	*< 30 days* *AED'000*	*30 – 60 days* *AED'000*	*60 – 90 day* *AED'000*	*90–120 day* *AED'000*	*>120 days* *AED'000*
2007	13,467	7,345	1,539	677	656	443	2,807

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

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 21).

11 CASH AND CASH EQUIVALENTS

	AED'000
Bank balances and cash	**736,959**
Fixed deposits maturing beyond three months	**(620,150)**
	116,809

Included in cash and cash equivalent are bank deposits of AED 65,256 thousand maturing within three months of the balance sheet date. All the deposits are denominated in UAE Dirhams and carry interest or profit at an average rate of 5.75% per annum.

12 SHARE CAPITAL

Authorised, issued and fully paid

	AED'000
910,000,000 shares of AED 1 each paid in cash	**910,000**
745,000,000 shares of AED 1 each paid in kind	**745,000**
	1,655,000

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.

13 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the period has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. The reserve is not available for distribution except in the circumstances as stipulated by the law.

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.

15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has three interest rate swap contracts outstanding at 31 December 2007 designated as hedges of expected interest rate fluctuations. The total amount of loans subject to these contracts, including undrawn amounts, is AED 808,633 thousands maturing in January and September 2013. The terms of the contracts have been negotiated to match the terms of the loan agreements. The negative fair values of theses contracts designated as cash flow hedges have been taken to equity and payables.

16 PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend of AED 0.07 per share totalling AED 115,850 thousand, which is subject to the approval of the shareholders at the Annual General Meeting.

17 PROPOSED DIRECTORS' FEES

The fee is subject to the approval of the shareholders at the Annual General Meeting.

18 TERM LOANS

This represents loans obtained from three commercial banks as follows:

(a) For the construction of four chemical tankers -AED 198,920 thousand outstanding at 31 December 2007 (Current portion 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 270,383 thousand outstanding at 31 December 2007 (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 311,100 thousand outstanding at 31 December 2007 (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.

18 TERM LOANS - continued

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

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.

19 EMPLOYEES' END OF SERVICE BENEFITS

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

	AED'000
On transfer from the LLC (note 3)	**513**
Provided during the period	**337**
End of service benefits paid	**(329)**
Provision as at 31 December	**521**

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.

20 ACCOUNTS PAYABLE AND ACCRUALS

	AED'000
Trade payables	**9,014**
Accrued expenses	**13,745**
Advances from customers	**14,246**
Negative fair value of cash flow hedges	**19,918**
	56,923

21 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, 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 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 10). 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 by the shareholders at the Annual General Meeting.

21 RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel

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

	1 January to 31 December 2007 (12 months) AED'000	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Short-term benefits	**866**	**970**
Employees' end of service benefits	**23**	**23**
	889	**993**

22 EARNINGS PER SHARE

	1 January to 31 December 2007 (12 months)	*Date of incorporation to 31 December 2007 (14 months)*
Profit for the period (AED in thousands)	**116,048**	**133,511**
Weighted average number of shares outstanding during the period	**1,655,000,000**	**1,655,000,000**
Basic and diluted earning per share (AED)	**0.07**	**0.08**

23 COMMITMENTS

Lease commitments

a. The Group has entered into contracts with a third party for chartering out of four vessels for a period of 15 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:

	AED'000
Within one year	**23,378**
After one year but not more than five years	**66,228**
	89,606

23 COMMITMENTS - continued

Capital expenditure commitments:

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

	AED'000
Vessels being built to be provided to a third party under time charter agreements	**477,410**
Vessels being built for future use	**301,291**
Other vessels	**1,581**

24 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 21) in the balance sheet of the PJSC at 31 December 2007 would have increased from AED 33,622 thousand to AED 47,582 thousand.

25 RISK MANAGEMENT

Interest rate risk

The Group earns interest on its fixed deposits on a floating rate basis. Based on balances of 31 December 2007, a 50 basis point decrease in interest rate will reduce the profit for the year by AED 2,643 thousand.

The Group is required to pay interest on its term loans on a floating rate basis. However, in accordance with the terms of the loan agreements and its strategy of protecting itself from fluctuations in interest rates, the Group enters into interest rate swap contracts for most of its loans.

Credit risk

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group provides vessels or services to several charter parties and marine product distributors. Its 5 largest customers account for 52% of outstanding accounts receivable at 31 December 2007.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents, and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

25 RISK MANAGEMENT - continued

Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations and bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale and one month advance for charter hire is also obtained from the customers.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2007, based on contractual payment dates and current market interest rates.

31 December 2007	*Less than 3 months AED'000*	*3 to 12 months AED'000*	*1 to 5 years AED'000*	*> 5 years AED'000*	*Total AED'000*
Accounts payable and accruals	32,316	4,689	-	-	37,005
Term loans	-	123,363	489,100	524,712	1,137,175
Total	32,316	128,052	489,100	524,712	1,174,180

Currency risk

The Group's transactions are mainly in US Dollar and United Arab Emirate Dirham. The term loans are denominated in US Dollars and most of the bank deposits are denominated in UAE Dirhams. United Arab Emirate Dirham is currently pegged to the US Dollar.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Capital comprises share capital and retained earnings and is measured at AED 1,661,381 thousand as at 31 December 2007.

26 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, accrued expenses and due to related parties.

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.

27 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were AED 15,626 thousand and the provision for doubtful debts was AED 2,159 thousand. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

28 SEGMENT INFORMATION

For management purposes, the Group is organised into chartering and several other business units. However, as the total revenue, profit or assets of all other business units combined are less than 10% of respective totals for the Group, they are not considered to be reportable segments.

29 COMPARISON OF RESULTS

A comparison of the operating results for 12 months ended 31 December 2007 with the operating results for 12 months ended 31 December 2006 of the Company and its predecessor company is as follows:

	12 months ended 31 December 2007	*12 months ended 31 December 2006*		
	PJSC		*PJSC 2 months ended 31 December 2006*	*LLC 10 months ended 29 October 2006*
	AED'000	*Total AED'000*	*AED'000*	*AED'000*
Operating revenue	**272,121**	163,602	35,627	127,975
Operating cost	**(156,585)**	(117,263)	(21,876)	(95,387)
GROSS PROFIT	**115,536**	46,339	13,751	32,588
Other income	**46,850**	11,416	7,734	3,682
Administrative expenses	**(18,808)**	(11,017)	(2,924)	(8,093)
Finance costs	**(27,530)**	(1,346)	(1098)	(248)
	116,048	45,392	17,463	27,929
Pre-incorporation profit	-	7,174		
PROFIT FOR THE PERIOD	**116,048**	52,566		