

**Gulf Navigation Holding PJSC
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 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”), comprising the interim consolidated balance sheet as at 30 September 2008 and the related interim consolidated statements of income for the nine-month and three-month periods then ended, the related statements of changes in equity and cash flows for the nine-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.

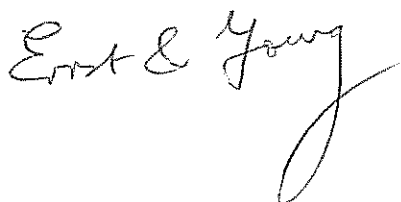
Scope of Review

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
Edward Quinlan
Partner
Registration No. 491

18 October 2008
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2008

	Notes	<i>Nine months</i>		<i>Three months</i>	
		<i>1 January to 30 September 2008 (Unaudited) AED'000</i>	<i>1 January to 30 September 2007 (Unaudited) AED'000</i>	<i>1 July to 30 September 2008 (Unaudited) AED'000</i>	<i>1 July to 30 September 2007 (Unaudited) AED'000</i>
Operating revenue	3	306,452	173,083	105,569	62,408
Operating costs	4	(150,034)	(110,162)	(53,509)	(42,314)
GROSS PROFIT		156,418	62,921	52,060	20,094
Other income	5	21,869	35,160	6,164	13,168
Administrative expenses	6	(18,727)	(11,823)	(5,688)	(4,452)
Finance costs		(22,656)	(18,132)	(8,590)	(8,271)
PROFIT FOR THE PERIOD		136,904	68,126	43,946	20,539
Earnings per share	11				
- Basic and diluted		AED 0.083	AED 0.041	AED 0.027	AED 0.012

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.


Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

Period ended 30 September 2008 (Unaudited)

	<i>Notes</i>	<i>30 September 2008 (Unaudited) AED'000</i>	<i>31 December 2007 (Audited) AED'000</i>
ASSETS			
Non-current assets			
Vessels and equipment	7	1,660,946	1,359,473
Goodwill and other intangible assets		554,794	554,794
		2,215,740	1,914,267
Current assets			
Inventories		5,617	3,608
Accounts receivable and prepayments		39,357	35,443
Bank balances and cash	8	701,062	736,959
		746,036	776,010
TOTAL ASSETS		2,961,776	2,690,277
EQUITY AND LIABILITIES			
Equity			
Share capital		1,655,000	1,655,000
Statutory reserve		14,068	14,068
Cumulative changes in fair value		(34,874)	(19,918)
Retained earnings		171,269	6,381
Proposed dividends		-	115,850
Proposed directors fees		-	4,386
Total equity		1,805,463	1,775,767
Non-current liabilities			
Term loans	9	964,630	736,977
Employees' end of service benefits		731	521
		965,361	737,498
Current liabilities			
Accounts payable and accruals		69,073	56,923
Amounts due to related parties	10	5,914	33,622
Dividends payable		5,347	-
Current portion of term loans	9	110,618	86,467
		190,952	177,012
Total liabilities		1,156,313	914,510
TOTAL EQUITY AND LIABILITIES		2,961,776	2,690,277

The interim condensed consolidated financial statements were authorised for issue on 18 October 2008 by:



 Abdullah Al-Shuraim
 Chairman

Gulf Navigation Holding PJSC and its subsidiaries

INTERIM CONSOLIDATED CASH FLOW STATEMENT

Period ended 30 September 2008 (Unaudited)

	<i>Notes</i>	<i>Nine months ended 30 September 2008 AED'000</i>	<i>Nine months ended 30 September 2007 AED'000</i>
OPERATING ACTIVITIES			
Profit for the period		136,904	68,126
Adjustments for:			
Depreciation		40,539	29,530
Amortisation of intangible assets		9,870	-
Provision for employees' end of service benefits		362	210
Profit on disposal of equipment		(47)	(11)
Finance income	5	(20,432)	(31,742)
Finance costs		22,656	18,130
		<u>189,852</u>	<u>84,243</u>
Working capital changes:			
Inventories		(2,009)	(2,428)
Accounts receivable and prepayments		(3,914)	(3,067)
Accounts payable and accruals		(2,806)	1,768
		<u>181,123</u>	<u>80,516</u>
Cash from operations		181,123	80,516
Finance cost paid		(34,259)	(18,130)
Employees' end of service benefits paid		(152)	(35)
		<u>146,712</u>	<u>62,351</u>
Net cash from operating activities		<u>146,712</u>	<u>62,351</u>
INVESTING ACTIVITIES			
Purchase of vessels and equipment		(340,340)	(485,442)
Proceeds from disposal of equipment	7	108	37
Finance income received		20,432	31,742
Long term deposits		-	64,466
		<u>(319,800)</u>	<u>(389,197)</u>
Net cash used in investing activities		<u>(319,800)</u>	<u>(389,197)</u>
FINANCING ACTIVITIES			
Term loans proceeds		321,531	354,142
Term loans repaid		(69,727)	(49,410)
Dividends paid		(110,503)	-
Directors fees paid		(4,110)	-
		<u>137,191</u>	<u>304,732</u>
Net cash from financing activities		<u>137,191</u>	<u>304,732</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(35,897)	(22,114)
Cash and cash equivalents at the beginning of the period		736,959	715,952
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		<u>701,062</u>	<u>693,838</u>

The attached notes 1 to 14 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 September 2008 (Unaudited)

	Share capital AED '000	Statutory reserve AED '000	Cumulative changes in fair values AED '000	Retained earnings AED '000	Proposed dividends AED '000	Proposed directors' fees AED '000	Total AED '000
Balance at 1 January 2007	1,655,000	-	-	24,637	-	-	1,679,637
Profit for the period	-	-	-	68,126	-	-	68,126
Balance at 30 September 2007	1,655,000	-	-	92,763	-	-	1,747,763
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 10)	-	-	-	27,708	-	-	27,708
Net movement in fair value of cash flow hedges	-	-	(14,956)	-	-	-	(14,956)
Total income (expense) for the period recognised directly in equity	-	-	(14,956)	27,984	-	(276)	12,752
Profit for the period	-	-	-	136,904	-	-	136,904
Total income (expense) for the period	-	-	(14,956)	164,888	-	(276)	149,656
Transferred to liabilities on approval	-	-	-	-	(115,850)	(4,110)	(119,960)
Balance at 30 September 2008	1,655,000	14,068	(34,874)	171,269	-	-	1,805,463

The attached notes 1 to 14 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 September 2008

1 ACTIVITIES

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 September 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 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

3 OPERATING REVENUE

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008 (Unaudited) AED'000</i>	<i>1 January to 30 September 2007 (Unaudited) AED'000</i>	<i>1 July to 30 September 2008 (Unaudited) AED'000</i>	<i>1 July to 30 September 2007 (Unaudited) AED'000</i>
Vessel chartering	290,984	157,983	99,916	57,137
Ship agency	13,184	11,704	4,939	3,811
Commercial agency	2,284	3,352	714	1,460
Ship management income	-	44	-	-
	<u>306,452</u>	<u>173,083</u>	<u>105,569</u>	<u>62,408</u>

4 OPERATING COSTS

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008 (Unaudited) AED'000</i>	<i>1 January to 30 September 2007 (Unaudited) AED'000</i>	<i>1 July to 30 September 2008 (Unaudited) AED'000</i>	<i>1 July to 30 September 2007 (Unaudited) AED'000</i>
Vessel chartering:				
Ship running	54,152	38,708	20,308	15,556
Vessel depreciation	39,376	27,319	14,601	10,829
Bareboat hire	17,375	17,311	5,834	5,835
Commission on freight	9,986	1,903	3,176	1,903
Dry docking write off	8,449	1,464	2,790	1,464
Charter hire	5,665	1,286	1,556	1,286
Bunkering	261	5,255	-	1,670
Other miscellaneous	3,877	5,070	1,386	18
Ship agency:				
Operating cost	8,512	8,515	3,077	2,329
Vessel depreciation	400	402	134	135
Commercial agency	1,981	2,929	647	1,289
	<u>150,034</u>	<u>110,162</u>	<u>53,509</u>	<u>42,314</u>

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

5 OTHER INCOME

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008</i>	<i>1 January to 30 September 2007</i>	<i>1 July to 30 September 2008</i>	<i>1 July to 30 September 2007</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Finance income	18,658	10,871	5,078	5,852
Other finance income	1,774	20,869	554	4,388
Miscellaneous income	1,437	3,420	532	2,928
	<u>21,869</u>	<u>35,160</u>	<u>6,164</u>	<u>13,168</u>

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

6 ADMINISTRATIVE EXPENSES

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008</i>	<i>1 January to 30 September 2007</i>	<i>1 July to 30 September 2008</i>	<i>1 July to 30 September 2007</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Staff salaries and benefits	9,055	7,316	2,909	2,779
Other administrative expenses	9,672	4,507	2,779	1,673
	<u>18,727</u>	<u>11,823</u>	<u>5,688</u>	<u>4,452</u>

7 VESSELS AND EQUIPMENT

Vessels and equipment include AED 406,381 thousand (31 December 2007: 493,138 thousand) in respect of vessels under construction.

During the nine months ended 30 September 2008, the Group acquired assets with a cost of AED 333,015 thousand (2007: AED 50,568 thousand) including AED 11,603 thousand in respect of borrowing costs capitalised (nine months ended 30 September 2007: AED 7,041 thousand).

Assets with a net book value of AED 61 thousand (2007: AED 26 thousand) were disposed of by the Group during the nine month period ended 30 September 2008, resulting in a net gain on disposal of AED 47 thousand (nine months ended 30 September 2007: AED 11 thousand).

Vessels having net book value of AED 1,202,744 thousand (2007: AED 822,653 thousand) and vessels under construction at 30 September 2008 are mortgaged as security for term loans (note 9).

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

8 BANK BALANCES AND CASH

	<i>30 September 2008 (Unaudited) AED'000</i>	<i>31 December 2007 (Audited) AED'000</i>
Cash	890	933
Deposits	674,834	684,296
Current account	25,338	51,730
	<u>701,062</u>	<u>736,959</u>

Deposits of AED 605,294 thousand are placed with local banks and of AED 69,540 thousand with international banks. The deposits with international banks are denominated in US Dollars, short term in nature, with an effective profit rate of 3 %.

9 TERM LOANS

This represents loans obtained from commercial banks as follows:

- (a) For the construction of four chemical tankers - AED 475,397 thousand outstanding at 30 September 2008 (31 December 2007 : AED 198,920 thousand) Current portion AED 26,444 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 220,973 thousand outstanding at 30 September 2008 (31 December 2007 : AED 270,383 thousand) Current portion AED 65,874 thousand (31 December 2007 AED 65,880 thousand)

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

- (c) For acquisition of VLCC Vessel - AED 292,800 thousand outstanding at 30 September 2008 (31 December 2007 : AED 311,100 thousand) Current portion AED 18,300 thousand (31 December 2007 AED 18,300 thousand)

This loan is secured against assignment of mortgage against VLCC vessel and pledge of shares of subsidiaries owning the vessels. The loan carries interest at *LIBOR* plus 0.7% and is repayable in 20 semi-annual instalments beginning from 28 January 2008 and a final instalment of AED 128,100 thousand.

- (d) For the construction of two Chemical Tankers - AED 86,078 thousand outstanding at 30 September 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.

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

10 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 September 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 nine months ended 30 September 2008, the Board of Directors of the PJSC and the shareholders of the former LLC decided to transfer the profit of AED 27,708 thousand to the shareholders of the PJSC.

Compensation of key management personnel

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

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008 (Unaudited) AED'000</i>	<i>1 January to 30 September 2007 (Unaudited) AED'000</i>	<i>1 July to 30 September 2008 (Unaudited) AED'000</i>	<i>1 July to 30 September 2007 (Unaudited) AED'000</i>
Short-term benefits	1,007	456	28	392
Employees' end of service benefits	14	9	-	9

11 EARNINGS PER SHARE

	<i>Nine months</i>		<i>Three months</i>	
	<i>1 January to 30 September 2008 (Unaudited) AED'000</i>	<i>1 January to 30 September 2007 (Unaudited) AED'000</i>	<i>1 July to 30 September 2008 (Unaudited) AED'000</i>	<i>1 July to 30 September 2007 (Unaudited) AED'000</i>
Profit for the period (AED in thousand)	136,904	68,126	43,946	20,539
Add: Directors' fees waived (AED in thousand)	276	-	-	-
	<u>137,180</u>	<u>68,126</u>	<u>43,946</u>	<u>20,539</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 (AED)	<u>AED 0.083</u>	<u>AED 0.041</u>	<u>AED 0.027</u>	<u>AED 0.012</u>

Gulf Navigation Holding PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2008

12 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, two vessel are now available and have been chartered out during the nine-month period ended 30 September 2008. The other two 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 September 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	48,742	66,228
Lease expenditure contracted for at the balance sheet date	<u>72,120</u>	<u>89,606</u>

Capital expenditure commitments:

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

	<i>30 September 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	198,921	477,410
Vessels being built for future use	258,250	301,291
Other vessels	<u>1,581</u>	<u>1,581</u>

13 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.

14 COMPARATIVE INFORMATION

Dry docking costs amounting to AED 35,823 thousand previously included in 'Goodwill and other intangible assets' have now been reclassified to 'Vessels and equipment'. Comparative amounts totalling AED 26,765 thousand have been reclassified accordingly. These changes have been made to improve the quality of information presented.