ASSURANCE AND ADVISORY
BUSINESS SERVICES

Gulf Navigation Company L.L.C. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2005

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION COMPANY L.L.C.

We have audited the accompanying consolidated balance sheet of Gulf Navigation Company L.L.C. ("the Company") and its subsidiaries (collectively "the Group") as of 31 December 2005, and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Company as of 31 December 2004 were audited by another auditor whose report dated 31 October 2005 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

We also confirm that in our opinion proper books of account have been kept by the Company and the contents of the report of the Board of Directors relating to these consolidated financial statements are in agreement with the books of account of the Company. 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.

2 May 2006

Dubai

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2005

		2005		2004	
	Notes	***USD'000***	***AED'000***	*USD'000*	*AED'000*
Operating revenue	3	**27,688**	**101,337**	13,630	49,887
Operating cost	4	**(15,626)**	**(57,193)**	(9,594)	(35,113)
GROSS PROFIT		**12,062**	**44,144**	4,036	14,774
Other income	5	**237**	**869**	61	224
Administrative expenses	6	**(2,523)**	**(9,234)**	(1,617)	(5,919)
PROFIT FOR THE YEAR		**9,776**	**35,779**	2,480	9,079
Earnings per share	20				
- Basic		**USD 19,552**	**AED 71,558**	USD 4,960	AED 18,158
- Diluted		**USD 10,367**	**AED 37,942**	USD 4,960	AED 18,158

The attached notes 1 to 26 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2005

	Notes	2005 USD'000	2005 AED'000	2004 USD'000	2004 AED'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	**94,316**	**345,196**	906	3,316
Goodwill	8	**1,840**	**6,734**	-	-
Long term deposits	9	**3,614**	**13,226**	1,114	4,076
		99,770	**365,156**	2,020	7,392
Current assets					
Inventories		**601**	**2,200**	106	389
Accounts receivable and prepayments	10	**8,274**	**30,282**	2,743	10,038
Bank balances and cash	11	**12,269**	**44,904**	3,626	13,270
		21,144	**77,386**	6,475	23,697
TOTAL ASSETS		**120,914**	**442,542**	8,495	31,089
EQUITY AND LIABILITIES					
Equity					
Share capital	12	**137**	**500**	137	500
Statutory reserve	13	**68**	**250**	68	250
Retained earnings		**9,956**	**36,438**	3,403	12,455
		10,161	**37,188**	3,608	13,205
Funds received for issue of share capital	15	**53,543**	**195,967**	-	-
Total equity		**63,704**	**233,155**	3,608	13,205
Non-current liabilities					
Loan from directors		**-**	**-**	1,000	3,660
Directors' current accounts	16	**9**	**33**	638	2,335
Non-current portion of term loan	17	**54,350**	**198,921**	-	-
Other payables		**-**	**-**	61	223
Employees' end of service benefits	18	**82**	**299**	52	189
		54,441	**199,253**	1,751	6,407
Current liabilities					
Accounts payable and accruals	19	**2,769**	**10,134**	3,136	11,477
Total liabilities		**57,210**	**209,387**	4,887	17,884
TOTAL EQUITY AND LIABILITIES		**120,914**	**442,542**	8,495	31,089

The financial statements were authorised for issue in accordance with a resolution of the directors on 2 May 2006.

A Name (Director)

A Name (Director)

The attached notes 1 to 26 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2005

	Notes	2005 USD'000	2005 AED'000	2004 USD'000	2004 AED'000
OPERATING ACTIVITIES					
Profit for the year		**9,776**	**35,779**	2,481	9,079
Adjustments for:					
Depreciation	7	**182**	**666**	34	123
Provision for employees' end of service benefits	18	**30**	**110**	37	137
Interest income		**(93)**	**(341)**	(7)	(25)
		9,895	**36,214**	2,545	9,314
Working capital changes:					
Inventories		**(495)**	**(1,811)**	(19)	(69)
Accounts receivable and prepayments		**(5,531)**	**(20,244)**	(1,474)	(5,395)
Accounts payable and accruals		**(367)**	**(1,343)**	2,290	8,383
Cash from operations		**3,502**	**12,816**	3,342	12,233
Employees' end of service benefits paid	18	**-**	**-**	(1)	(5)
Net cash from operating activities		**3,502**	**12,816**	3,341	12,228
INVESTING ACTIVITIES					
Purchase of plant and equipment	7	**(93,592)**	**(342,546)**	(846)	(3,098)
Acquisition of goodwill	8	**(1,840)**	**(6,734)**	-	-
Investment in associates		**-**	**-**	65	238
Long term deposits	9	**(2,500)**	**(9,150)**	-	-
Interest received		**93**	**341**	7	26
Net cash used in investing activities		**(97,839)**	**(358,089)**	(774)	(2,834)
FINANCING ACTIVITIES					
Dividends paid	14	**(3,223)**	**(11,796)**	(683)	(2,500)
Term loan	17	**54,350**	**198,921**	-	-
Funds received for issue of share capital	15	**53,543**	**195,967**	-	-
Loan from directors		**(1,000)**	**(3,660)**	-	-
Loan from shareholders		**(61)**	**(223)**	-	-
Movement of directors' current accounts	16	**(629)**	**(2,302)**	701	2,566
Net cash from financing activities		**102,980**	**376,907**	18	66
INCREASE IN CASH AND CASH EQUIVALENTS		**8,643**	**31,634**	2,585	9,460
Cash and cash equivalents at 1 January	11	**3,626**	**13,270**	1,041	3,810
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**12,269**	**44,904**	3,626	13,270

The attached notes 1 to 26 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	Share capital		*Statutory reserve*		*Retained earnings*		*Funds received for issue of share capital*		*Total*	
	USD'000	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*
Balance at 1 January 2004	137	500	68	250	1,605	5,876	-	-	1,810	6,626
Dividend paid	-	-	-	-	(683)	(2,500)	-	-	(683)	(2,500)
Profit for the year	-	-	-	-	2,481	9,079	-		2,481	9,079
Balance at 31 December 2004	137	500	68	250	3,403	12,455	-	-	3,608	13,205
Dividend paid- 2004	-	-	-	-	(1,109)	(4,059)	-	-	(1,109)	(4,059)
Profit for the year	-	-	-	-	9,776	35,779	-	-	9,776	35,779
Dividend paid- 2005	-	-	-	-	(2,114)	(7,737)	-	-	(2,114)	(7,737)
Funds received for issue of share capital	-	-	-	-	-	-	53,543	195,967	53,543	195,967
Balance at 31 December 2005	**137**	**500**	**68**	**250**	**9,956**	**36,438**	**53,543**	**195,967**	**63,704**	**233,155**

The attached notes 1 to 26 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2005

1 ACTIVITIES

Gulf Navigation Company Limited (the "Company") is a limited liability company registered and incorporated in Dubai, United Arab Emirates in accordance with the provision of the UAE Commercial Companies Law No. 8 of 1984 (as amended). The Company is primarily engaged in marine transportation of commodities, chartering vessels, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, discharging and packaging services. The Company's registered head office is at 4th Floor, # 4 C1 City Centre offices, Dubai, United Arab Emirates.

The Company and its following subsidiaries are referred to as "the Group" in these financial statements.

Company	*Percentage of Shareholding*	*Country of incorporation*	*Principal activity*	*Share capital*	
				USD'000	*AED'000*
Gulf Navigation Group FZCO (99% held by Gulf Navigation Company LLC: 1% held by Gulf Navigation Ship Management FZE which is wholly owned by Gulf Navigation Group FZCO).	100%	United Arab Emirates	Investment holding company	2,732	10,000

Following are the wholly owned subsidiaries of Gulf Navigation Group FZCO

Company	*Percentage of Shareholding*	*Country of incorporation*	*Principal activity*	Share capital	
				USD'000	*AED'000*
Gulf Navigation Ship Management FZE	100%	United Arab Emirates	Technical management of ships and crew vessels	273	1,000
Gulf Ship FZE	100%	United Arab Emirates	Ship building and ship chartering	546	2,000
Gulf Jalmuda Corporation	100%	Panama	Ship chartering	-	-
Gulf Huwaylat Corporation	100%	Panama	Ship chartering	-	-
Gulf Fanatir Corporation	100%	Panama	Ship chartering	-	-
Gulf Deffi Corporation	100%	Panama	Ship chartering	-	-

Gulf Navigation Group FZCO was incorporated on 18 July, 2004 and registered as owned by the shareholders of Gulf Navigation Company L.L.C. The shareholders transferred beneficial shareholding of Gulf Navigation Group FZCO to Gulf Navigation Company L.L.C. on 1 January 2005. The legal formalities for the transfer were completed on 28 December 2005.

On 22 April 2006, the Company changed its name to Gulf Navigation Holding (L.L.C.)

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards.

The functional currency of the group is US Dollars. The financial statements are also presented in United Arab Emirates Dirhams for the convenience of the readers. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66.

The financial statements are prepared under the historical cost convention.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant inter-company transactions, profits and balances are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group.

Change in accounting policies
Previously, the Group recognised revenue on voyage charter based on the completed voyage policy (i.e. the Group only recognised revenue when the voyage was completed).

From 1 January 2005, the Group changed its accounting policy and now recognises revenue associated with voyage charter by reference to the stage of completion of the transactions at the balance sheet date.

There was no impact on the opening retained earnings as at 1 January 2004 or 1 January 2005 as there were no incomplete voyages as at 31 December 2003 and 31 December 2004.

Except for the above, the accounting policies are consistent with those used in the prior year.

IASB Standards and Interpretations issued but not adopted
The application of IASB Standards and Interpretations that have been issued but are not yet mandatory and have not yet been adopted by the Company is not expected to have a material impact on the Group's financial statements during the period of their initial application.

Revenue recognition
Charter revenue
Revenue received from charter is recognised on a straight line basis over the duration of the charter.

Voyage charter
Revenue associated with the 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 revenue consist of invoiced value of goods supplied and services rendered during the year, net of discounts and returns. This income is recognised where the goods are supplied and when the services are rendered.

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

Goodwill
Goodwill acquired in a business acquisition is initially measured at cost being the excess of the acquisition price over the fair value of the assets and liabilities. 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.

2 SIGNIFICANT ACCOUNTING POLICIES - Continued

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised.

Capital work-in progress
Capital work-in progress is recorded at cost which 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.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Capital work in progress is not depreciated.
Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

Crew vessels	11 years
Leasehold improvements	10 years
Plant and equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years

The carrying values of property, plant 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 property, plant 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 property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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 Statement of Cash Flows, 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.

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.

3 OPERATING REVENUE

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Chartering revenue	**22,525**	**82,440**	11,576	42,367
Ship agency	**3,947**	**14,447**	711	2,602
Commercial agency	**918**	**3,359**	231	847
Ship management income	**219**	**802**	740	2,709
Brokerage income	**45**	**166**	297	1,087
Consultancy charges	**34**	**123**	75	275
	27,688	**101,337**	13,630	49,887

Approximately 81% (2004 : 52%) of chartering revenue for the year has been earned from one customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2005

4 OPERATING COST

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Charter hire and related cost	**11,507**	**42,117**	8,282	30,312
Ship agency and supplies cost	**3,315**	**12,132**	539	1,974
Commercial agency cost	**657**	**2,406**	162	589
Ship management cost	**147**	**538**	611	2,238
	15,626	**57,193**	9,594	35,113

5 OTHER INCOME

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Bank interest	**150**	**550**	7	25
Miscellaneous income	**87**	**319**	54	199
	237	**869**	61	224

6 ADMINISTRATIVE EXPENSES

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Staff salaries and benefits	**1,648**	**6,033**	1,027	3,758
Business travel and entertainment	**159**	**581**	188	688
Depreciation	**182**	**666**	34	123
Rent	**101**	**368**	121	445
Other administrative expenses	**433**	**1,586**	247	905
	2,523	**9,234**	1,617	5,919

7 PROPERTY, PLANT AND EQUIPMENT

	Crew vessels		*Leasehold improvement*		*Plant and equipment*		*Furniture & fixtures*		*Vehicles*		*Capital work in progress*		*Total*	
	USD'000	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*	*USD'000*	*AED'000*
Cost:														
At 1 January 2005	-	-	270	988	104	381	51	187	36	132	493	1,805	954	3,493
Additions	1,800	6,588	273	999	29	106	14	51	74	271	91,402	334,531	93,592	342,546
At 31 December 2005	**1,800**	**6,588**	**543**	**1,987**	**133**	**487**	**65**	**238**	**110**	**403**	**91,895**	**336,336**	**94,546**	**346,039**
Depreciation														
At 1 January 2005	-	-	13	48	21	77	9	33	5	19	-	-	48	177
Depreciation charge for the year	68	249	41	150	48	176	12	44	13	47	-	-	182	666
At 31 December 2005	**68**	**249**	**54**	**198**	**69**	**253**	**21**	**77**	**18**	**66**	**-**	**-**	**230**	**843**
Net carrying amount:														
At 31 December 2005	**1,732**	**6,339**	**489**	**1,789**	**64**	**234**	**44**	**161**	**92**	**337**	**91,895**	**336,336**	**94,316**	**345,196**
At 31 December 2004	-	-	257	940	83	304	42	154	31	113	493	1,805	906	3,316

The amount of borrowing costs included within capital work in progress during the year is USD 130 thousand (AED 476 thousand).

8 GOODWILL

On 10 August 2005, the Group acquired the ship agency business from a third party for USD 4,000K (AED 14,640K). The purchase price paid on the acquisition was allocated as follows:

	USD'000	*AED'000*
Purchase consideration	**4,000**	**14,640**
Fair value of property, plant and equipment acquired, included in additions (note 7)	**(2,160)**	**(7,906)**
Goodwill	**1,840**	**6,734**

For goodwill impairment testing , the recoverable amount of goodwill has been determined based on a value-in-use calculation. Management has assumed that cash to be generated from this unit for the next five years will at least be equal to the cash generated during the first quarter of 2006. Such cash flows discounted at a rate of 5% show that there is no impairment in goodwill.

9 LONG TERM DEPOSITS

	2005		*2004*	
	USD'000	*AED'000*	*USD'000*	*AED'000*
Deposits with a related party	**1,114**	**4,076**	1,114	4,076
Other long term deposit	**2,500**	**9,150**	-	-
	3,614	**13,226**	1,114	4,076

Deposits with a related party represent amounts deposited as security against bank guarantee obtained by that party on behalf of the Group. These deposits are denominated in either US Dollars or Kuwaiti Dinars and carry interest at 3% and 4.250% respectively (2004: 1.850% and 2.625% respectively).

Other long term deposits represents amount held under the joint escrow account with the seller of a ship carrying interest at 3.75%. The deposit together with interest will be adjusted against the final payment for the ship when the ship is delivered to the Group.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2005		*2004*	
	USD'000	*AED'000*	*USD'000*	*AED'000*
Trade accounts receivable	**3,237**	**11,849**	1,529	5,598
Voyage in progress	**3,538**	**12,950**	-	-
Other receivables	**357**	**1,305**	134	489
Prepaid expenses	**1,142**	**4,178**	1,080	3,951
	8,274	**30,282**	2,743	10,038

Included in trade accounts receivable are amounts totalling USD 1.60 million (AED 5.86 million) [2004 : USD 1.02 million (AED 3.73 million)] due from two parties. The additional amount booked in receivables represent amount awarded in favour of the Group by an arbitrator. Management believe that these amounts will ultimately be recovered. The shareholders have undertaken to reimburse these amounts if they are not recovered.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following balance sheet amounts:

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Bank balances and cash	**12,269**	**44,904**	3,626	13,270

Included in bank balances and cash are bank deposits of USD 1.17 million (AED 4.27 million) [2004 : USD 3.29 million (AED 12.04 million)] with commercial banks in Dubai. These are denominated in US Dollars or UAE Dirhams, are short term in nature and carry interest at current prevailing rates.

Included in bank deposits is an amount of USD 17 thousand (AED : 62 thousand) [2004: USD 16 thousand (AED : 59 thousand)] held in the name of a related party.

12 SHARE CAPITAL

	Authorised		*Issued and fully paid*	
	2005	*2004*	***2005***	*2004*
	USD'000	*USD'000*	***USD'000***	*USD'000*
500 shares of AED 1,000 each	**137**	137	**137**	137
	2005	*2004*	***2005***	*2004*
	AED'000	*AED000*	***AED'000***	*AED'000*
	500	500	**500**	500

13 STATUTORY RESERVE

As required by UAE Commercial Company law and the Company's articles of association, 10% of profit for the year has been transferred to statutory reserve. The Company resolved to discontinue such annual transfers as the reserve totals 50% of the issued share capital.

14 DIVIDENDS PAID AND PROPOSED

During the year, dividends of USD 4,228 per share (AED 15,474 per share) totalling USD 2.11 million (AED 7.74 million) relating to 2005 and dividends of USD 2,220 per share (AED 8,125 per share) totalling USD 1.11 million (AED 4.06 million) relating to 2004 were declared and paid. [2004: USD 1,360 per share (AED 4,978) totalling USD 0.68 million (AED 2.5 million)].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2005

15 FUNDS RECEIVED FOR ISSUE OF SHARE CAPITAL

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Amounts received from new shareholders	**51,983**	**190,258**	-	-
Amounts received from existing shareholders	**1,560**	**5,709**	-	-
	53,543	**195,967**	-	-

The Company has signed agreements with 16 investors for subscription of shares in the Company. Subsequent to the balance sheet date, the Company has increased its capital to USD 257 thousand (AED 943 thousand). The new shareholders have paid USD 51.98 million (AED 190.25 million) for acquiring 47.22% interest. In addition, the new shareholders have paid an amount of USD 12.98 million (AED 47.5 million) directly to the Company's existing shareholders.

According to the agreement with the new investors, they are eligible for dividend from the date of receipt of funds and at least 50% of the net profit of the Company should be distributed as dividend.

16 DIRECTORS' CURRENT ACCOUNTS

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Balance at 1 January	**638**	**2,335**	(19)	(71)
Transfer of net assets of Gulf Navigation Group FZCO at book value	**1**	**5**	-	-
Advance against share capital	**(630)**	**(2,307)**	-	-
Movement for the year	-	-	657	2,406
Balance at 31 December	**9**	**33**	638	2,335

17 TERM LOAN

This represents loan obtained from a commercial bank for the construction of four chemical tankers and is secured by:

- Assignment of building contract from Hyundai Mipo
- Assignment of refund guarantee from KEXIM Bank
- Pledge of shares of subsidiaries owning the vessels

The loan carries interest at a variable rate of *LIBOR* plus 1% and is repayable in 40 quarterly instalments beginning after three months of the delivery of the first chemical tanker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2005

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Provision as at 1 January	**52**	**189**	16	57
Provided during the year	**30**	**110**	37	137
End of service benefits paid	-	-	(1)	(5)
Provision as at 31 December	**82**	**299**	52	189

19 ACCOUNTS PAYABLE AND ACCRUALS

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Trade payables	**2,337**	**8,552**	1,592	5,825
Accrued expenses	**432**	**1,582**	188	689
Advances from customers	-	-	1,356	4,963
	2,769	**10,134**	3,136	11,477

20 EARNINGS PER SHARE

Number of shares outstanding during the year	**500**	**500**	500	500
Additional shares to be issued	**443**	**443**	-	-
Number of shares outstanding during the the year adjusted for effect of dilution	**943**	**943**	500	500
Basic earnings per share	**USD 19,552**	**AED 71,558**	USD 4,960	AED 18,158
Diluted earnings per share	**USD 10,367**	**AED 37,942**	USD 4,960	AED 18,158

21 COMMITMENTS

Lease commitments

a. The Group has entered into contracts with a third party for chartering out of vessels for a period of fifteen years from the date of delivery of vessels with an option to extend the charter by five years. The Group is required to provide crew for the vessels as well as maintain, insure and overhaul vessels during the period of the charter. The third party may terminate the charter agreements by purchasing one or more of the vessels at written down value at the expiry of each complete year of the charter period. For calculating the written down value, the useful life of the vessel is deemed to be 20 years and the residual value is estimated to be 10%.

Daily charter hire is USD 19 thousand (AED 70 thousand) during the period of charter hire. The vessels are still under construction.

21 COMMITMENTS - continued

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:

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Within one year	**6,388**	**23,378**	6,388	23,378
After one year but not more than five years	**25,550**	**93,513**	24,482	89,604
More than five years	**6,388**	**23,378**	-	-
Total operating lease expenditure contracted for at the balance sheet date	**38,326**	**140,269**	30,870	112,982

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

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Vessels being built to be provided to a third party under time charter agreements	**130,440**	**477,410**	1,117	4,087
Vessels being bought for future use	**107,500**	**393,450**	-	-
Other vessels	**432**	**1,581**	-	-
Leased property	**572**	**2,094**	-	-

22 CONTINGENCIES

At 31 December 2005, the Company had contingent liabilities in respect of bank guarantees entered into the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to USD 2.11 million (AED 7.74 million) [2004 : USD 1.27 million (AED : 4.66 million)].

23 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year were as follows:

	2005		*2004*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Commission	**2,266**	**8,292**	817	2,991
Short term benefits	**251**	**919**	211	771
Employees' end of service benefits	**53**	**193**	28	104
	2,570	**9,404**	1056	3,866

24 RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank term loan, bank deposits). The Group uses floating rate financial instruments to minimise its interest rate exposure.

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

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

Currency risk
The Group is not exposed to significant currency risk.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

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

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

26 COMPARATIVE INFORMATION

Prior year figures have been derived from the financial statements of Gulf Navigation Company L.L.C. issued on 31 October 2005 and have been reclassified to conform with current year's presentation. Loans from directors and directors current accounts previously classified under equity are now classified under liabilities.

The financial statements for the year ended 31 December 2004 were reissued on 31 October 2005 after correcting accounting errors that had occurred in the previously issued financial statements.