ASSURANCE AND ADVISORY
BUSINESS SERVICES

Gulf Navigation Holding LLC (formerly Gulf Navigation Company LLC) and its Subsidiaries

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2006 (UNAUDITED)

ERNST & YOUNG

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REVIEW REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING LLC (FORMERLY GULF NAVIGATION COMPANY LLC)

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Gulf Navigation Holding LLC ("the Company") and its subsidiaries (collectively "the Group") as at 30 September 2006 and the related interim consolidated statements of income, changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. Management of the Group is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim 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 consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at 30 September 2006 and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34.

Emphasis of matter

As explained in note 14 to the interim consolidated financial statements, the distribution of profit earned up to the date of the incorporation of Gulf Navigation Holding PJSC to the shareholders of the Company is subject to the approval of the relevant authorities.

For Ernst & Young

Signed by
Farrukh Seer
Partner
Registration No. 491

26 December 2006
Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF INCOME

Period ended 30 September 2006 (Unaudited)

	Notes	***Nine months ended 30 September 2006***		*Nine months ended 30 September 2005*	
		USD'000	***AED'000***	*USD'000*	*AED'000*
Operating revenue	3	**29,731**	**108,816**	18,701	68,446
Operating cost	4	**(22,313)**	**(81,665)**	(9,488)	(34,726)
GROSS PROFIT		**7,418**	**27,151**	9,213	33,720
Other income	5	**906**	**3,315**	182	667
Administrative expenses	6	**(2,018)**	**(7,387)**	(1,673)	(6,123)
PROFIT FOR THE PERIOD		**6,306**	**23,079**	7,722	28,264
Earnings per share	22				
- Basic		**USD 7,662**	**AED 28,042**	USD 15,444	AED 56,528
- Diluted		**USD 7,662**	**AED 28,042**	USD 8,189	AED 29,972

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

INTERIM CONSOLIDATED BALANCE SHEET

At 30 September 2006

	Notes	*30 September 2006 (Unaudited)*		*31 December 2005 (Audited)*	
		USD'000	*AED'000*	*USD'000*	*AED'000*
ASSETS					
Non-current assets					
Vessels and equipment	7	**247,028**	**904,122**	94,316	345,196
Goodwill	8	**1,840**	**6,734**	1,840	6,734
Long term deposits	9	**17,614**	**64,467**	3,614	13,226
		266,482	**975,323**	99,770	365,156
Current assets					
Inventories		**202**	**739**	601	2,200
Accounts receivable and prepayments	10	**11,280**	**41,284**	8,274	30,282
Bank balances and cash	11	**2,979**	**10,903**	12,269	44,904
		14,461	**52,926**	21,144	77,386
TOTAL ASSETS		**280,943**	**1,028,249**	120,914	442,542
EQUITY AND LIABILITIES					
Equity					
Share capital	12	**258**	**943**	137	500
Additional paid-in capital	15	**53,422**	**195,524**	-	-
Statutory reserve	13	**129**	**473**	68	250
Retained earnings		**6,245**	**22,856**	9,956	36,438
		60,054	**219,796**	10,161	37,188
Funds received for issue of share capital	15	-	-	53,543	195,967
Total equity		**60,054**	**219,796**	63,704	233,155
Non-current liabilities					
Loan from shareholders		**303**	**1,109**	-	-
Shareholders' current accounts	16	**9,953**	**36,428**	9	33
Non-current portion of term loan	17	**54,350**	**198,921**	54,350	198,921
Employees' end of service benefits	18	**135**	**493**	82	299
		64,741	**236,951**	54,441	199,253
Current liabilities					
Liabilities against vessels under finance lease	19	**105,803**	**387,239**	-	-
Due to banks	20	**47,811**	**174,988**	-	-
Accounts payable and accruals	21	**2,534**	**9,275**	2,769	10,134
		156,148	**571,502**	2,769	10,134
Total liabilities		**220,889**	**808,453**	57,210	209,387
TOTAL EQUITY AND LIABILITIES		**280,943**	**1,028,249**	120,914	442,542

The financial statements were authorised for issue in accordance with a resolution of the directors on 26 December 2006.

Chairman

Director

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2006 (Unaudited)

	Notes	*Nine months ended 30 September 2006*		*Nine months ended 30 September 2005*	
		USD'000	***AED'000***	*USD'000*	*AED'000*
OPERATING ACTIVITIES					
Profit for the period		**6,306**	**23,079**	7,722	28,264
Adjustments for:					
Depreciation	7	**2,377**	**8,699**	103	377
Provision for employees' end of service benefits	18	**53**	**194**	19	70
Interest income		**(700)**	**(2,562)**	(11)	(40)
Loss on disposal of equipment		**1**	**3**	-	-
		8,037	**29,413**	7,833	28,671
Working capital changes:					
Inventories		**399**	**1,461**	(33)	(121)
Accounts receivable and prepayments		**(2,515)**	**(9,205)**	(15,682)	(57,398)
Accounts payable and accruals		**(235)**	**(860)**	(1,116)	(4,084)
Net cash from (used in) operating activities		**5,686**	**20,809**	(8,998)	(32,932)
INVESTING ACTIVITIES					
Purchase of vessels and equipment, less finance lease payable		**(49,300)**	**(180,437)**	(36,900)	(135,054)
Proceeds from disposal of equipment		**13**	**48**	-	-
Acquisition of goodwill	8	-	-	(1,840)	(6,734)
Long term deposits	9	**(14,000)**	**(51,240)**	-	-
Interest received		**209**	**765**	11	42
Net cash used in investing activities		**(63,078)**	**(230,864)**	(38,729)	(141,746)
FINANCING ACTIVITIES					
Dividends paid	14	-	-	(3,224)	(11,799)
Term loan	17	**45,063**	**164,930**	-	-
Funds received for issue of share capital	15	-	-	53,543	195,965
Loan from directors		-	-	(1,000)	(3,660)
Loan from shareholders		**303**	**1,109**	-	-
Movement in shareholders' current accounts	16	**(12)**	**(43)**	2,179	7,975
Net cash from financing activities		**45,354**	**165,996**	51,498	188,481
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(12,038)**	**(44,059)**	3,771	13,803
Cash and cash equivalents at 1 January		**12,269**	**44,904**	3,626	13,270
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	11	**231**	**845**	7,397	27,073

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2006 (Unaudited)

	Share capital		*Additional paid-in 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*	*USD'000*	*AED'000*
Balance at 1 January 2006	137	500	-	-	68	250	9,956	36,438	53,543	195,967	63,704	233,155
Increase in share capital (note 15)	121	443	-	-	-	-	-	-	(121)	(443)	-	-
Transferred to additional paid-in capital (note 15)	-	-	53,422	195,524	-	-	-	-	(53,422)	(195,524)	-	-
Dividends (note 14)	-	-	-	-	-	-	(9,956)	(36,438)	-	-	(9,956)	(36,438)
Profit for the period	-	-	-	-	-	-	6,306	23,079	-	-	6,306	23,079
Transferred to statutory reserve (note 13)	-	-	-	-	61	223	(61)	(223)	-	-	-	-
Balance at 30 September 2006	**258**	**943**	**53,422**	**195,524**	**129**	**473**	**6,245**	**22,856**	**-**	**-**	**60,054**	**219,796**
Balance at 1 January 2005	137	500	-	-	68	250	3,403	12,455	-	-	3,608	13,205
Dividends (note 14)	-	-	-	-	-	-	(3,224)	(11,799)	-	-	(3,224)	(11,799)
Profit for the period	-	-	-	-	-	-	7,722	28,264	-	-	7,722	28,264
Funds received for issue of share capital	-	-	-	-	-	-	-	-	53,543	195,967	53,543	195,967
Balance at 30 September 2005	137	500	-	-	68	250	7,901	28,920	53,543	195,967	61,649	225,637

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2006 (Unaudited)

1 ACTIVITIES

Gulf Navigation Holding LLC (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 Holding Company and its following directly or indirectly wholly owned subsidiaries are referred to as "the Group" in these financial statements.

Company	*Country of incorporation*	*Principal activity*
Lam Gulf Maritime Co LLC	United Arab Emirates	Ship brokerage, ship chartering and ship handling
Gulf Crude Carriers LLC	United Arab Emirates	Ship brokerage
Gulf Chemical Carriers LLC	United Arab Emirates	Ship brokerage and ship carrier
Gulf Navigation Group FZCO	United Arab Emirates	Investment holding company
Gulf Navigation Ship Management FZE	United Arab Emirates	Technical management of ships and crew vessels
Gulf Ship FZE	United Arab Emirates	Ship building and ship chartering
Gulf Jalmuda Corporation	Panama	Ship chartering
Gulf Huwaylat Corporation	Panama	Ship chartering
Gulf Fanatir Corporation	Panama	Ship chartering
Gulf Deffi Corporation	Panama	Ship chartering

The Company was previously operating as Gulf Navigation Company LLC and on 2 April 2006 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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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 cease to be consolidated from the date on which control is transferred out of the Group.

Change in accounting policies
The accounting policies are consistent with those used in the prior period.

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
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 during the year, net of discounts and returns.

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.

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 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.

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

Vessels	11-12 years
Leasehold improvements	10 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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill
Goodwill is initially measured at cost. 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.

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.

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.

Leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the estimated useful lives of the assets.

Operating lease payments are recognised as an expense in the interim consolidated 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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Chartering revenue	**23,640**	**86,523**	15,971	58,453
Ship agency	**5,149**	**18,846**	1,573	5,758
Commercial agency	**814**	**2,979**	785	2,874
Ship management income	**94**	**344**	338	1,237
Consultancy charges	**34**	**124**	34	124
	29,731	**108,816**	18,701	68,446

Approximately 44% (2005:85%) of revenue has been earned from two customers.

4 OPERATING COST

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Charter vessels- rentals	**4,730**	**17,312**	4,730	17,312
Charter vessels- other costs	**12,459**	**45,600**	2,806	10,270
Ship agency and supplies cost	**4,366**	**15,979**	1,149	4,205
Commercial agency cost	**721**	**2,639**	656	2,401
Ship management cost	**37**	**135**	147	538
	22,313	**81,665**	9,488	34,726

5 OTHER INCOME

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Bank interest	**700**	**2,562**	12	44
Miscellaneous income	**206**	**753**	170	623
	906	**3,315**	182	667

6 ADMINISTRATIVE EXPENSES

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Staff salaries and benefits	**1,485**	**5,435**	1,056	3,865
Business travel and entertainment	**21**	77	57	209
Depreciation	**96**	**351**	82	300
Rent	**65**	**240**	40	146
Other administrative expenses	**351**	**1,284**	438	1,603
	2,018	**7,387**	1,673	6,123

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2006 (Unaudited)

7 VESSELS AND EQUIPMENT

	Vessels		*Leasehold improvement*		*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 2006	1,800	6,588	543	1,987	133	487	65	238	110	403	91,895	336,336	94,546	346,039
Additions	126,997	464,809	-	-	45	165	1	4	18	65	28,042	102,633	155,103	567,676
Disposals	-	-	-	-	-	-	-	-	(21)	(75)	-	-	(21)	(75)
At 30 September 2006	128,797	471,397	543	1,987	178	652	66	242	107	393	119,937	438,969	249,628	913,640
Depreciation														
At 1 January 2006	68	249	54	198	69	253	21	77	18	66	-	-	230	843
Depreciation charge for the period	2,281	8,348	40	146	30	110	9	33	17	62	-	-	2,377	8,699
Relating to disposals	-	-	-	-	-	-	-	-	(7)	(24)	-	-	(7)	(24)
At 30 September 2006	2,349	8,597	94	344	99	363	30	110	28	104	-	-	2,600	9,518
Net carrying amount:														
At 30 September 2006	**126,448**	**462,800**	**449**	**1,643**	**79**	**289**	**36**	**132**	**79**	**289**	**119,937**	**438,969**	**247,028**	**904,122**
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

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 USD 2,589 thousand (AED 9,476 thousand) [2005: USD nil (AED nil)].

The net carrying value of vessels includes an amount of USD 124,837 thousand (AED 456,903 thousand) [2005: USD nil (AED nil)] in respect of vessels held under finance leases. Additions during the year include USD 126,997 thousand (AED 464,809 thousand) [2005: USD nil (AED nil)] of vessels held under finance leases.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2006 (Unaudited)

7 **VESSELS AND EQUIPMENT** - continued

The depreciation charge has been allocated in the interim consolidated income statements as follows:

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Operating cost	**2,281**	**8,348**	68	249
Administrative expenses (note 6)	**96**	**351**	82	300
	2,377	**8,699**	150	549

8 GOODWILL

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

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Purchase consideration	**4,000**	**14,640**	4,000	14,640
Fair value of vessels and equipment acquired, included in vessels and equipment	**(2,160)**	**(7,906)**	(2,160)	(7,906)
	1,840	**6,734**	1,840	6,734

The recoverable amount of goodwill has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management covering a period of 5 years. The discount rate applied to cash flow projections is 10%. Management has assumed that cash to be generated from the ship agency business for the next five years will at least be equal to the cash generated during the nine month period ended 30 September 2006.

9 LONG TERM DEPOSITS

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	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	**16,500**	**60,391**	2,500	9,150
	17,614	**64,467**	3,614	13,226

9 LONG TERM DEPOSITS - continued

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 4.25% respectively (2005: 3% and 4. 25% respectively).

Other long term deposits represents amount held under the joint escrow account with the seller of a ship carrying interest at 5.2%. The deposit together with interest will be adjusted against the final payment for the ship when the ship is delivered to the Group.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Trade accounts receivable	**2,179**	**7,975**	1,600	5,858
Voyage in progress	**-**	**-**	3,538	12,950
Awards receivable	**1,637**	**5,991**	1,637	5,991
Other receivables	**3,341**	**12,228**	357	1,305
Advances to suppliers	**2,501**	**9,153**	-	-
Prepaid expenses	**1,622**	**5,937**	1,142	4,178
	11,280	**41,284**	8,274	30,282

Trade accounts receivable is primarily due from two parties.

Awards receivable represents amounts awarded by the arbitrators for claims filed by the Company against certain third parties. Management believe that the amounts of claims awarded by arbitrators will ultimately be recovered. Certain shareholders of the Company have undertaken to reimburse these amounts if they are not recovered.

Included in other receivables is an amount of USD 2,482 thousand (AED 9,084 thousand) [2005 : USD nil (AED nil)] receivable from Gulf Navigation Holding PJSC (under formation) in respect of IPO expenses incurred by the Company on its behalf as the shareholders of the Company were acting as founders of the PJSC. The PJSC has been formed on 30 October 2006.

11 CASH AND CASH EQUIVALENTS

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

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Bank balances and cash	**2,979**	**10,903**	12,269	44,904
Less: bank overdrafts (note 20)	**(2,748)**	**(10,058)**	-	-
Cash and cash equivalents	**231**	**845**	12,269	44,904

11 CASH AND CASH EQUIVALENTS - continued

Included in bank balances and cash are bank deposits of USD nil (AED nil) [2005 : USD 1,170 thousand (AED 4,282 thousand)] 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) [2005: USD 17 thousand (AED : 62 thousand)] held in the name of a related party.

12 SHARE CAPITAL

	Authorised		*Issued and fully paid*	
	30 September *2006* (Unaudited)	31 December *2005* (Audited)	**30 September *2006* (Unaudited)**	31 December *2005* (Audited)
	USD'000	*USD'000*	***USD'000***	*USD'000*
943 shares (2005:500 share) of AED 1,000 each	**258**	137	**258**	137
	2006	*2005*	***2006***	*2005*
	AED'000	*AED'000*	***AED'000***	*AED'000*
	943	500	**943**	500

13 STATUTORY RESERVE

In accordance with the UAE Commercial Companies Law and the Company's Articles of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. Accordingly, the transfer to statutory reserve, which is less than 10% of the profit for the period, is that amount which is required to make the reserve equal to 50% of paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by Federal laws.

14 DIVIDENDS

The shareholders of the Company resolved in May 2006 to distribute as dividends all of the retained earnings as of 31 December 2005 amounting to USD 9,956 thousand (AED 36,438 thousand). The amount was paid to the shareholders of the Company subsequent to the balance sheet date. The shareholders of the Company also resolved to distribute the profit that would be earned between 1 January 2006 and the date of the incorporation of the Gulf Navigation Holding PJSC to the shareholders of the Company. This distribution is subject to the approval of the relevant authorities.

During the previous period dividends of USD 6,448 per share (AED 23,599 per share) totalling USD 3,224 thousand (AED 11,799 thousand) were declared and paid.

15 ADDITIONAL PAID-IN CAPITAL

	USD'000	*AED'000*
Amounts received from new shareholders	51,983	190,258
Amounts received from existing shareholders	1,560	5,709
Funds received for issue of share capital	53,543	195,967
Transferred to share capital during the period	(121)	(443)
	53,422	195,524

The Company had signed agreements with 16 investors for subscription of shares in the Company. The new shareholders had paid USD 51,983 thousand (AED 190,258 thousand) for acquiring a 47.22% interest. In addition, the new shareholders had paid an amount of USD 12,980 thousand (AED 47,506 thousand) directly to the Company's existing shareholders.

16 SHAREHOLDERS' CURRENT ACCOUNTS

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Balance at 1 January	**9**	**33**	638	2,335
Transfer of net assets of Gulf Navigation Group FZCO at book value	-	-	1	5
Advance against share capital	-	-	(630)	(2,307)
Dividends	**9,956**	**36,438**	-	-
Other movement for the period	**(12)**	**(43)**	-	-
Balance at 30 September	**9,953**	**36,428**	9	33

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 which is expected on 30 June 2008.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2006 (Unaudited)		*2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Provision as at 1 January	**82**	**299**	52	189
Provided during the period/year	**53**	**194**	30	110
Provision as at 30 September /31 December	**135**	**493**	82	299

19 FINANCE LEASES

The Group has leased six Probo vessels with a commitment to purchase them at the end of the lease period on December 29, 2006. Total minimum lease payments amounting to USD 105, 803 thousand (AED 387, 239 thousand) [2005: USD nil (AED nil)] are payable within one year.

20 DUE TO BANKS

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Bank overdrafts	**2,748**	**10,058**	-	-
Short term loan	**45,063**	**164,930**	-	-
	47,811	**174,988**	-	-

Bank overdrafts and short term loan carry interest at a variable rate of *EIBOR* plus 1.5% to 2% and are secured by demand promissory note and corporate guarantees of the Company. The shareholders of the Company, being the founders of Gulf Navigation PJSC (under formation), have also acknowledged that the bank can retain net IPO proceeds of Gulf Navigation Holding PJSC (after refunds) until the loan is repaid to the bank.

21 ACCOUNTS PAYABLE AND ACCRUALS

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Trade payables	**1,676**	**6,134**	2,337	8,552
Accrued expenses	**507**	**1,856**	432	1,582
Advances from customers	**303**	**1,109**	-	-
Others	**48**	**176**		
	2,534	**9,275**	2,769	10,134

22 EARNINGS PER SHARE

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
Profit for the period (in thousands)	**USD 6,306**	**AED 23,079**	USD 7,722	AED 28,264
Weighted average number of shares outstanding during the period	**823**	**823**	500	500
Additional shares to be issued	-	-	443	443
Weighted average number of shares outstanding during the period adjusted for effect of dilution	**823**	**823**	943	943
Basic earnings per share	**USD 7,662**	**AED 28,042**	USD 15,444	AED 56,528
Diluted earnings per share	**USD 7,662**	**AED 28,042**	USD 8,189	AED 29,972

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 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.

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:

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Within one year	**6,388**	**23,380**	6,388	23,378
After one year but not more than five years	**25,550**	**93,513**	25,550	93,513
More than five years	**1,050**	**3,843**	6,388	23,378
Total operating lease expenditure contracted for at the balance sheet date	**32,988**	**120,736**	38,326	140,269

23 COMMITMENTS - continued

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

	30 September 2006 (Unaudited)		*31 December 2005 (Audited)*	
	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**	130,440	477,410
Vessels being bought for future use	**188,386**	**689,493**	107,500	393,450
Other vessels	**432**	**1,581**	432	1,581
Leased property	**572**	**2,094**	572	2,094

24 CONTINGENCIES

Contingent asset
An arbitrator awarded an amount of USD 3,814 thousand (AED 13,960 thousand) on 9 May 2006 in respect of a claim filed by the Company 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 Company 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 and income for the period until the collection is virtually certain. If the award were recorded during the period, the profit for the period would have increased from USD 6,306 thousand (AED 23,079 thousand) to USD 10,120 thousand (AED 37,039 thousand).

Contingent liabilities
At 30 September 2006, 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 2,115 thousand (AED 7,740 thousand) [2005 : USD 2,115 thousand (AED : 7,740 thousand)].

25 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 period were as follows:

	Nine months ended 30 September 2006		*Nine months ended 30 September 2005*	
	USD'000	***AED'000***	*USD'000*	*AED'000*
Commission	**1,416**	**5,184**	1,699	6,218
Short term benefits	**193**	**706**	188	688
Employees' end of service benefits	**28**	**102**	40	146
	1,637	**5,992**	1,927	7,052

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2006 (Unaudited)

26 RISK MANAGEMENT

Interest rate risk
The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and bank loans).

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

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

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.

27 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, due to banks, 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.

28 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 USD 2,179 thousand (2005: USD 1,600 thousand) with no provision for doubtful debts (2005: nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

29 SUBSEQUENT EVENT

The business of the Company has been transferred to Gulf Navigation Holdings PJSC (PJSC), an entity set up on 5 November 2006 with the shareholders of the Company acting as founders of the PJSC, as contribution in kind for 745,000,000 shares of AED 1 each of the capital of the PJSC.