

Annual Report and Audited Financial Statements of

**GFM LEVANT CAPITAL (CAYMAN) LIMITED**

For the year ended 31 December 2007

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

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## **GFM LEVANT CAPITAL (CAYMAN) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

Select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards and comply with the Memorandum and Articles of Association and with the laws of the Cayman Islands. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

March 2008

Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GFM LEVANT CAPITAL (CAYMAN) LIMITED**

**Report on the financial statements**

We have audited the accompanying financial statements of GFM Levant Capital (Cayman) Limited which comprise the balance sheet as of 31 December 2007 and the income statement, the statement of changes in equity and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Directors' Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on other legal and regulatory requirements**

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

In our opinion the information given in the directors' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

### Balance Sheet

As at 31 December 2007

(stated in USD)

	Note	2007 (USD)	2006 (USD)
<b>Assets</b>			
Cash		759,555	438,810
Management fees receivable	3	238,194	199,746
Incentive fees receivable	4	4,196,521	247,809
Loan receivable		5,348	-
Share capital receivable		200	200
		<b>5,199,818</b>	<b>886,565</b>
<b>Liabilities</b>			
Investment management fees payable	5	150,811	148,750
Accounts payable and accrued expenses		569,474	131,328
		<b>720,285</b>	<b>280,078</b>
<b>Net assets</b>		<b>4,479,533</b>	<b>606,487</b>
<b>Shareholders' equity</b>			
Share capital	6	200	200
Retained earnings		4,479,333	606,287
<b>Total shareholders' equity</b>		<b>4,479,533</b>	<b>606,487</b>

The financial statements were approved by the board of directors on  
March 2008 and are signed on their behalf by

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Director

The notes on pages 7 to 10 form an integral part of these Audited Financial Statements

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

### Income Statement

Year from 1 January 2007 to 31 December 2007

(stated in USD)

		1 January 2007 to 31 December 2007	1 August 2005 to 31 December 2006
	Note	(USD)	(USD)
<b>Income</b>			
Management fee income	3	1,307,829	1,054,780
Incentive fee income	4	4,336,674	247,809
Bank account interest		24,399	6,763
Realised loss on currency		(13,871)	(6,450)
		<b>5,655,031</b>	<b>1,302,902</b>
<b>Expenses</b>			
Investment management fees	5	595,000	545,486
Auditor's fees		9,358	7,707
Administration, secretarial and registered office fees		10,269	8,687
Other expenses		561,071	134,735
		<b>1,175,698</b>	<b>696,615</b>
<b>Net income for the year/period</b>		<b>4,479,333</b>	<b>606,287</b>

The notes on pages 7 to 10 form an integral part of these Audited Financial Statements

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

### Statement of Changes in Shareholders' Equity

Year from 1 January 2007 to 31 December 2007

*(stated in USD)*

	1 January 2007 to 31 December 2007	1 August 2005 to 31 December 2006
Balance at start of year/period	606,487	-
Shares issued during year/period	-	200
Dividend relating to 2006	(606,287)	-
Net income for year/period	4,479,333	606,287
<b>Balance at 31 December 2007</b>	<b>4,479,533</b>	<b>606,487</b>

The notes on pages 7 to 10 form an integral part of these Audited Financial Statements

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

### Statement of Cash Flows

Year from 1 January 2007 to 31 December 2007 <i>(stated in USD)</i>	1 January 2007 to 31 December 2007 <b>(USD)</b>	1 August 2005 to 31 December 2006 <b>(USD)</b>
<b>Cash flows from:</b>		
<b>Operating activities</b>		
Net income for the year/period	4,479,333	606,287
Net changes in non-cash operating balances:		
Increase in Management fees receivable	(38,448)	(199,746)
Increase in Loan receivable	(5,348)	-
Increase in Incentive fee receivable	(3,948,712)	(247,809)
Increase in Investment management fees payable	2,061	148,750
Increase in Accounts payable and accrued expenses	438,146	131,328
<b>Net cash from operating activities</b>	<b>927,032</b>	<b>438,810</b>
<b>Financing activities</b>		
Dividends paid to company's shareholders	(606,287)	-
<b>Net cash from financing activities</b>	<b>(606,287)</b>	<b>-</b>
<b>(Decrease)/Increase in cash and cash equivalents during period</b>	<b>320,745</b>	<b>438,810</b>
Cash and cash equivalents at beginning of year/period	438,810	-
<b>Cash and cash equivalents at end of year/period</b>	<b>759,555</b>	<b>438,810</b>

The notes on pages 7 to 10 form an integral part of these Audited Financial Statements

## **GFM LEVANT CAPITAL (CAYMAN) LIMITED**

Notes to Financial Statements

Year from 1 January 2007 to 31 December 2007

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### **1. Incorporation and principal activity**

GFM Levant Capital (Cayman) Limited (the “Company”) was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 1 August 2005.

The Company’s principal activity is the management of investment funds. The registered office of the Company is situated at P.O. Box 309 GT, Ugland House, South Church Street, Grand Cayman. The Company has had no employees since incorporation. The measurement and presentation currency of the financial statements is the United States Dollar (“USD”), and not the local currency of the Cayman Islands, reflecting the fact that the ordinary shares of the company are issued in USD and the Company’s operations are primarily conducted in USD. The Company is jointly owned by EFG Eurobank Ergasais S.A. and Levantina.

### **2. Significant accounting policies**

These financial statements are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The significant accounting policies adopted by the Company are as follows:

#### *(a) Use of estimates*

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### *(b) Translation of foreign currencies*

Transactions in foreign currencies are translated to USD at the foreign exchange rate at the date of transaction. Assets and liabilities denominated in foreign currencies at the date of the Balance Sheet are translated to USD at the foreign exchange rate ruling at that date. Realised and unrealised gains and losses arising on translation are included in foreign exchange gain or loss in the Income Statement.

#### *(c) Derecognition of financial instruments*

Financial assets are derecognised when the Company no longer has control over the contractual rights that comprise the asset. This occurs when the rights are realised, expired or are surrendered. Financial liabilities are derecognised when the contractual obligation is discharged, cancelled or expires.

## **GFM LEVANT CAPITAL (CAYMAN) LIMITED**

Notes to Financial Statements

Year from 1 January 2007 to 31 December 2007

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### **2. Significant accounting policies (continued)**

#### *(d) Investments*

Investments categorised as 'available for sale' are initially recorded at fair value on a trade date basis. Subsequently, they are stated at fair value as of the date of the Balance Sheet, any resultant movement in unrealised gain or loss is recognised in the Income Statement.

#### *(e) Cash and cash equivalents*

Cash and cash equivalents include cash balances and call deposits held at international financial institutions.

#### *(f) Income and expenses*

Income and expenses are accounted for on an accruals basis.

#### *(g) Other financial assets and liabilities*

Other financial assets and liabilities are recorded in the Balance Sheet at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

### **3. Management Fees**

The Company has been appointed as manager of GFM Levant Fund and GFM Levant Master Fund (the "Funds"). The Company receives monthly fees based upon the net asset values of GFM Levant Fund. No monthly management fees are receivable from GFM Levant Master Fund.

### **4. Incentive Fees**

In accordance with the terms of the management agreements with the Funds, the Company is entitled to receive an incentive fee, calculated with reference to the performance of GFM Levant Fund.

The Company has also been appointed as a manager to certain assets of Sinaloa Shipping Panama S.A. for which it is entitled to receive an annual fee based on the performance of the assets. No fee was receivable for the year ended 31 December 2007.

## GFM LEVANT CAPITAL (CAYMAN) LIMITED

Notes to Financial Statements

Year from 1 January 2007 to 31 December 2007

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### 5. Investment Management Fees

The Company has appointed GFM Fund Management S.A. as Investment Manager pursuant to the management agreements entered into with the Funds. Fees are payable quarterly in accordance with an agreement dated 10 February 2006 between the Company and Global Fund Management S.A.

### 6. Other Expenses

The amount stated of USD 561,071 includes an amount of USD 557,410 (2006 : USD 124,453) paid to EFG Eurobank Ergasias S.A. in respect of placement fees in connection with the GFM Levant Fund.

### 7. Share capital

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	31.12.2007	31.12.2006
Authorised:		
50,000 Ordinary Shares of USD1.00 each	500,000	50,000
Issued and fully paid:		
200 Ordinary shares	200	200

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200 Ordinary shares were issued at par on 1 February 2006.

### 8. Taxation

There are no taxes on income or gains in the Cayman Islands and the Company has received an undertaking from the Governor in Council of the Cayman Islands exempting it from local taxes on all income, profits, gains and appreciations until 2025. Accordingly, no provision for income taxes is included in these financial statements.

### 9. Related parties

As a result of various agreements entered into by the Company, as disclosed in notes 3, 4 and 5, the Funds and Global Fund Management S.A. are considered to be related parties. Amounts receivable and payable in respect of the period ended 31st December 2007 are disclosed in the Income Statement and any amounts outstanding at the period end are disclosed in the Balance Sheet.

## **GFM LEVANT CAPITAL (CAYMAN) LIMITED**

Notes to Financial Statements

Year from 1 January 2007 to 31 December 2007

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<b>10. Foreign Exchange Rates</b>	<b>31.12.2007</b>	<b>31.12.2006</b>
The EUR to USD exchange rate as at the period end used in the calculation of EUR equivalent figures was	1.4589	1.3196
The GBP to USD exchange rate as at the period end used in the calculation of USD equivalent figures was	1.9847	1.9576