2011 ANNUAL REPORT

Final Version

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Gulf Navigation Holding PJSC

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Final version

VISION

COMPANY OVERVIEW

- Gulf Navigation Holding PJSC (GNH) and its group of companies own and operate crude and chemical tankers. It is the only maritime and shipping company listed on the Dubai Financial Market.
- The Company was listed in February 2007 and trades under the symbol 'GULFNAV'.
- The GNH fleet comprises of 12 tankers (including new buildings) comprising of two existing VLCCs, two new build VLCCs and eight Chemical tankers as well as four crew boats used in its agency business.
- It has the sole agency for a number of global marine products.
- The Company is committed to meeting the requirements of the international management code for the safe operations of vessels and for pollution prevention (International Safety Management Code (ISM)) and to comply with all applicable international environmental laws, regulations and requirements. It is accredited by Det Norske Veritas (DNV) for both International Safety Management (ISM) and International Ship Security Certification (ISPS Code) and through Bureau Veritas it is now ISO9001:2008 accredited.

FLEET OVERVIEW

Name	Type	Ownership	Dwt
Mt GULF SHEBA	VLCC	Owned	MT298923
Mt GULF EYADAH	VLCC	Owned	MT298971
Mt GULF DEFFI	IMO TYPE II CHEMICAL TANKER	Owned	MT46200
Mt GULF FANATIR	IMO TYPE II CHEMICAL TANKER	Owned	MT46200
Mt GULF HUWAYLAT	IMO TYPE II CHEMICAL TANKER	Owned	MT46200
Mt GULF JALMUDA	IMO TYPE II CHEMICAL TANKER	Owned	MT46200
Mt STOLT SISTO	IMO TYPE III CHEMICAL TANKER	Owned via GST	MT41388
Mt STOLT FACTO	IMO TYPE III CHEMICAL TANKER	Owned via GST	MT41388
Mt STOLT GULF MIRDIF	IMO TYPE III CHEMICAL TANKER	Owned via GST	MT41388
Mt STOLT GULF MISHREF	IMO TYPE III CHEMICAL TANKER	Owned via GST	MT41388
GULF DEBA	Crew Boat	Owned	
GULF DEIRA	Crew Boat	Owned	
GULF NAV1	Crew Boat	Owned	
GULF NAV2	Crew Boat	Owned	

KEY FACTS & FIGURES

- Began trading as a Limited Liability operation in Dubai in 2003
- IPO Date: July 24, 2006. Listed on DFM in February 2007 with market capitalisation of US$ 452 million (AED 1.655 Billion)
- Ownership: 45% UAE nationals, 45% GCC nationals (non-UAE) and 10% foreign nationals. Nationals include individuals and institutions
- Fully integrated ship owning company with its own ship management joint-venture – Gulf Stolt Ship Management
- Ship Agency operation from all ports of the UAE
- Headquartered in Dubai, United Arab Emirates, with an overseas office in the Kingdom of Saudi Arabia

Trial Version

VISION & MISSION STATEMENT

The Gulf Navigation vision is to create shareholder value as a listed, fully integrated ship owning company which transports crude oil and chemical products responsibly and safely in a sustainable manner, and to be among the industry leaders in these sectors.

Our mission is to achieve this vision by:

- Employing, training and retaining highly qualified and motivated staff.
- Operating a modern fleet of quality tonnage that is in compliance with international regulations.
- Creating and preserving long-term relationships with customers and suppliers.
- Maintaining the ability to react to and act on changes within the tanker industry via long-term, well-established relationships with all of our customers.
- Supporting a clean environment by active involvement of our employees.

CHAIRMAN'S STATEMENT

Bism Allah Al Rahman Al Rahim

Dear Shareholders, Partners and Employees of Gulf Navigation Holding,

It is clear that 2011 continued to be a difficult and challenging year for all sectors of the shipping industry. The year saw major difficulties for many large and small ship owners worldwide; however, the Board of Directors of Gulf Navigation Holding are committed to building a sustainable business for the future by continuing to focus on the strategic, long-term well-being of the company.

The focus on the key strategic targets that we have set ourselves endures; in particular, the strategic re-alignment of the company towards our two key segments, crude and chemical tankers.

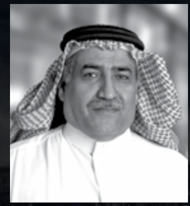
AS THE SHIPPING INDUSTRY ENTERS A PERIOD OF RECOVERY WE STRONGLY FEEL THAT WE ARE WELL-POSITIONED TO RETURN THE COMPANY TO PROFITABILITY

The purchase of the Very Large Crude Carrier (VLCC) 'Gulf Eyadah' in January 2011 was a key step in this strategy and this will develop further with the delivery of our two VLCCs next year along with the commencement of the ten-year charter party for these two vessels, strategically placing us within the growing oil exportation channel from the Middle East to China. Time-charter contracts of this nature meet the strategic aim of establishing sustainability for the business by ensuring a consistent revenue stream through the low points of the industry cycle, and also giving us the ability to benefit during industry highs.

At the other end of the spectrum is the disposal of the PROBO fleet; although a very difficult decision that resulted in losses for two consecutive years, this exemplifies our ability to manoeuvre through difficult times with an eye on future profitability.

Alongside our core Ship Owning business, our Agency and Commercial divisions continue to grow. The Agency division now actively and profitably operates four crew boat vessels and offers a comprehensive agency service in all of the ports of the UAE.

In challenging times it is very important that as an organisation we continue to monitor our cost base, whether that is the operational costs of our vessels or the administrative expenses of our organisation. In 2011, difficult and necessary steps were taken to reduce our human resource cost to reflect the current economic situation and we will continue to ensure that at all times we maximise our efficiency.



Furthermore, our emphasis on the procurement of professional talent has helped us to maintain high quality standards of service, in addition to contributing to operational innovation which is vital to Gulf Navigation Holding's future standing in the market. The recruitment during the year of Mr. Atle Sebjornsen as our new CEO and Mr. Paul Garwood as our new CFO highlights this focus with both of these individuals joining Gulf Navigation Holding with extensive shipping and regional business experience.

On behalf of the Board of Directors, I can commit again that Gulf Navigation Holding will continue to make decisions that position the company on the right path for attractive returns for our shareholders and as the shipping industry enters a period of recovery we strongly feel that we are well-positioned to return the company to profitability.

Thank you

Abdullah Shuraim

Abdullah Abdul Rahman Al Shuraim
Chairman of the Board of Directors

CEO'S STATEMENT

Dear Shareholders,

I joined Gulf Navigation in 2011 and it has continued to be another challenging year for ship owners across most shipping segments.

Some shipping segments have fared worse than others, and with the difficult conditions faced by the dry cargo segment, it proved to be the right decision for Gulf Navigation to exit this segment by selling off the six Probos ships, which were all sold by July 2011. This decision was taken as we believed that the segment would remain under pressure and that our tonnage and employment profile would have left us exposed to these continued weak market fundamentals.

Exiting the dry cargo segment left us with a fleet of modern tankers and with a very clear focus on two segments where we have a good track record, strong relationships with key regional and global industry players and where we see very interesting employment opportunities going forward. These two segments are VLCCs and Chemicals.

As far as the VLCC segment is concerned, it has always been, and will in all likelihood continue to be, volatile in terms of earnings. However, over time, this is one of the most profitable sectors in shipping. The average time charter equivalent earnings over the last ten years have been approximately US$55,000 per day per ship; this compares to an average breakeven level across the fleet of around US$30,000 per day per ship over the same period.

These are, however, average figures and shipping is all about timing. Asset values fluctuate with earnings, and those who have entered at the top of the market did so on the back of very high ship prices. Fortunately for Gulf Navigation, our assets were acquired outside the peaks of the market and therefore at sound and sustainable price levels.

In addition to the timing of asset acquisitions, employment of the ships is naturally the other variable that a ship owner is able to influence. We are very pleased that one of our two VLCCs is on a profitable time charter till the end of 2012, by which time the market fundamentals are expected to start moving back towards a better supply-demand balance. We also have one VLCC trading in the VL8 Pool, a Pool operated by Navig8, the world's leading Pool operator across segments. Results from VL8 to date have, in relative terms, been strong and we expect to increase our commitment to VL8 in the future.

In 2013 we expect to receive two new VLCC buildings from China, which will go straight into a very profitable ten-year charter as part of the supply chain for the ever-increasing flow of oil from the Arabian Gulf to China. These time charter contracts will limit our exposure to the volatility of earnings in this segment and ensure a stable cash flow during the troughs, while still allowing us to benefit from the peaks. With the right mix of long- and medium-term charters, as well as spot related earnings from the VL8 Pool, we believe that we are well-placed to benefit from interesting times ahead in the VLCC sector.

Earnings in the Chemical segment, while also affected by cycles, have historically been more stable than the VLCC segment. Although returns have not been exciting over the last three to four years, analysts agree that the supply/demand fundamentals will now move in a positive direction from the perspective of a ship owner. The beginning of an upturn in the sector is forecast over the next six to twelve months. Global demand for chemicals is healthy and growing at a steady pace over and above global GDP growth. Combined with a limited supply of new chemical ships over the last few years, and a modest order book, the stage should be set for solid earnings in this sector as the cycle turns.

GULF NAVIGATION IS NOW WELL-POSITIONED TO SEE THROUGH THE BALANCE OF THE DOWN CYCLE AND BENEFIT FROM THE INEVITABLE UPTURN THAT LIES AHEAD

With our modern fleet of eight Chemical Tankers (four of which are held in our joint-venture with our partner Stolt Nielsen), we again believe that we have the correct employment profile for these vessels. With four Chemical Tankers continuing with their long-term time charter to SABIC and the joint venture vessels employed in the Stolt Joint Tanker Services Pool we believe that these vessels are well-placed as we enter 2012.

There is a belief in the industry that we are nearing the end of what has been a long and challenging down cycle. I believe Gulf Navigation is now well-positioned to see through the balance of the down cycle and benefit from the inevitable upturn that lies ahead.

Atle Sebjornsen
Chief Executive Officer

VLCC SEGMENT

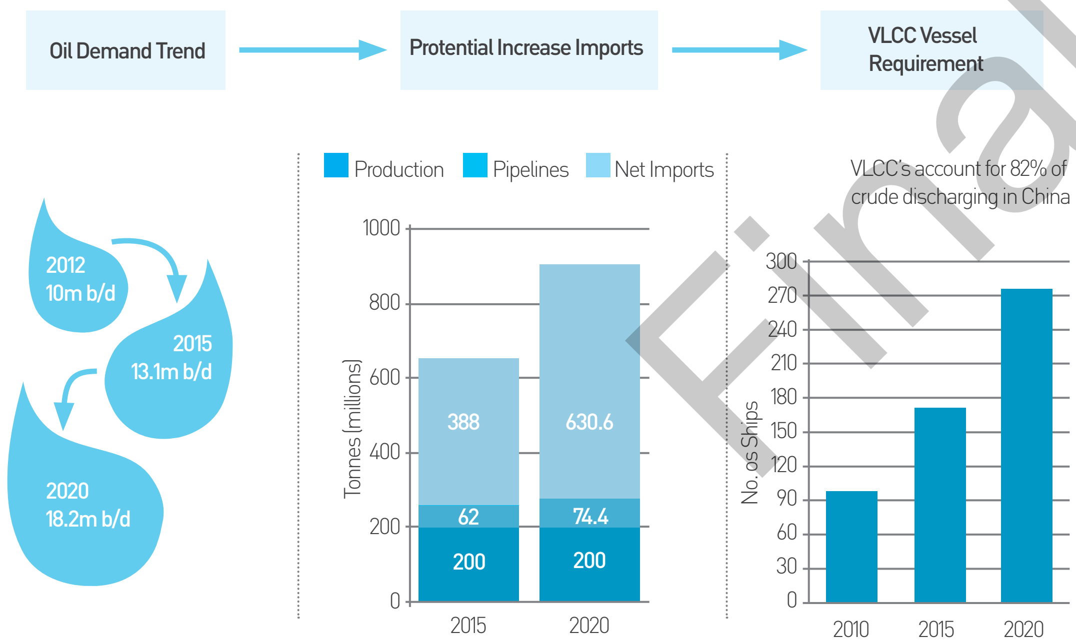
Global Oil Demand (million barrels per day)

	2009	2010	2011f	2012f	Annual Change (%) 2010	2011f	2012f
North America	22.9	23.4	23.1	23.0	2.0%	-1.3%	-0.43%
Europe	15.0	15.3	14.2	14.0	2.3%	-6.9%	-1.69%
Pacific	7.2	8.0	8.1	8.1	10.7%	1.5%	0.00%
Total OECD	45.1	46.7	45.4	45.1	3.5%	-2.7%	-0.75%
China	8.2	9.0	9.4	9.9	**9.8%**	**4.4%**	**5.32%**
Other Asia	10.0	10.1	10.6	10.7	1.2%	4.7%	0.57%
Middle East	7.4	7.8	8.0	8.2	5.3%	2.6%	2.50%
Latin America	5.8	6.1	6.9	7.0	5.2%	13.1%	1.45%
FSU	4.1	4.3	4.7	4.8	5.9%	8.3%	2.13%
Africa	3.2	3.3	3.3	3.5	3.1%	0.3%	6.06%
Europe	0.8	0.8	0.7	0.6	-3.8%	-5.3%	-16.67%
Total Non-OECD	39.5	41.4	43.6	44.7	4.9%	5.3%	2.38%
World	84.6	88.1	89.1	89.8	4.1%	1.1%	**0.79%**

Source: IEA Oil Market Report 2012

With the OECD economies struggling to pull out of recession in 2012, it is the continued growth of the non-OECD countries that are driving the forecast increase in world oil demand in 2012. In particular, the key driver is China, which is forecast to increase its demand by 5.32%.

Chinese Crude Vessel Demand Potential

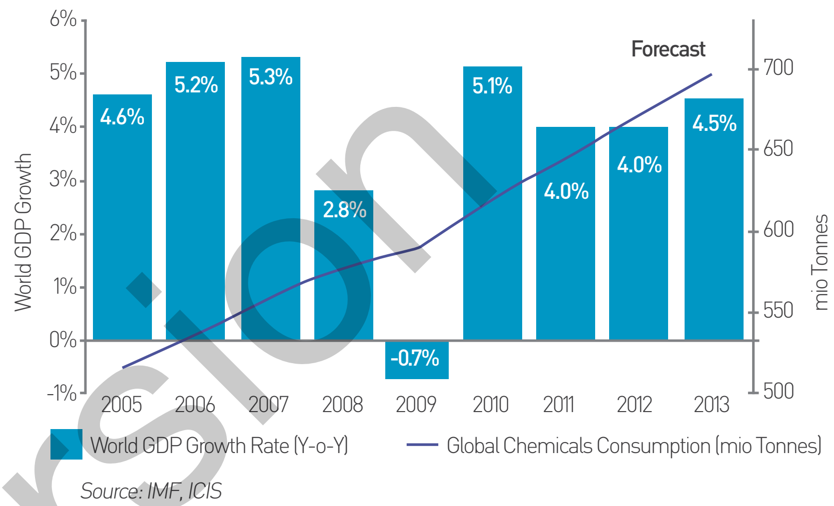


Source: EIA, C1 Energy

Current forecasts are for Chinese Oil Demand to expand further from 10 million barrels per day (b/d) in 2012 to 13.1 million b/d by 2015 and 18.2 million b/d by 2020. This will have a direct impact on VLCC Vessel requirements as shown in the table above.

CHEMICAL TANKER SEGMENT

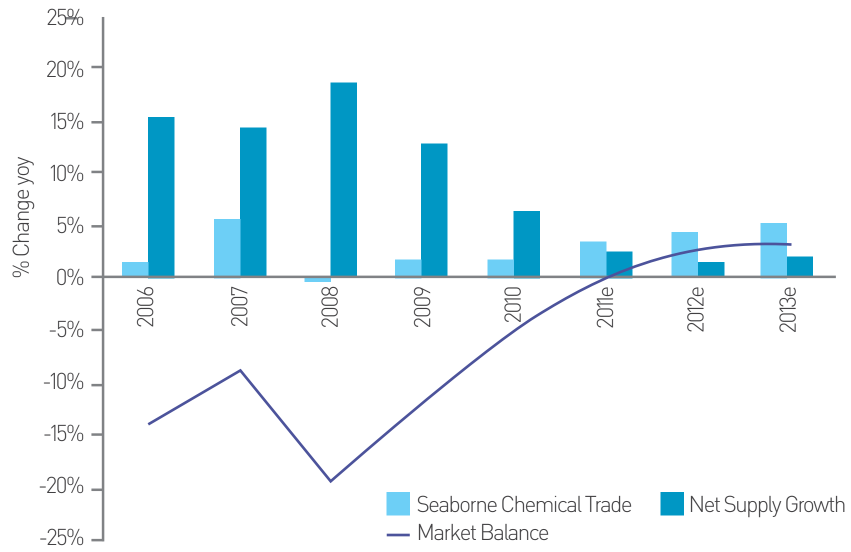
Global Chemical Consumption



Source: IMF, ICIS

The growth of global chemical consumption has been tied very closely with world GDP growth. Forecasts for 2012 and 2013 are very positive for Chemical Tanker owners.

Market Balance within Chemical Sector



Source: Fearnley Fronds ASA

The graph illustrates how the expected growth in Seaborne Chemical Trade in 2012 and 2013, combined with a slowdown in the net supply growth of the Chemical Tanker fleet, will move the Market Balance in a positive direction.

INDUSTRY OVERVIEW

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BOARD OF DIRECTORS

01
ENG/ ABDULLAH AL SHURAIM

Original Founder and Chairman of Gulf Navigation Holding PJSC

Engineer Abdullah Al Shuraim, a Saudi National, has previously held leading positions in a number of major listed companies in Saudi Arabia including, Chief Executive Officer of the National Shipping Company PJSC for six years from 1995 till 2001, Chief Executive Officer of National Chemical Carriers for three years from 1993 till 1995, Vice Chief Executive for Saudi Arabian Public Transport Company PJSC for four years from 1989 till 1993, and Regional Manager of Saudi Telecom from 1980 till 1989.

He has chaired the Board of Directors of Gulf Navigation since its inception in 2003 and has also chaired the Board of Directors of NSCSA America, Mideast Ship Management in Dubai, and has been a board member of West of England insurance, ACC, and NCC for six years.

Engineer Al Shuraim graduated from Purdue University, West Lafayette, Indiana, USA receiving his B.S. in Electrical Engineering in 1980.

02 MR. GHAZI A. AL-IBRAHIM

Original Founder and Vice-Chairman of Gulf Navigation Holding PJSC and Chairman of the Executive Committee

Mr. Ghazi A. Al-Ibrahim, a Saudi National, is the Chairman of the Board and CEO of Space Investment Company. Mr. Al-Ibrahim has held senior marketing and management information system (MIS) positions with Exxon Chemicals and Saudi Basic Industries Corporation (Sabic). He was the President of NSCSA Asia (Japan, Singapore and Hong Kong) and President of Mideast Ship Management in Dubai. He was also the Managing Director and Chief Executive Officer of Gulf Navigation and the Triangle group and is a member of the American Bureau of Shipping (ABS) and the Clean Sea Organisation.

Mr. Al-Ibrahim is the Chairman of the Board of Gulf Stolt Ship Management Company, Emirates Space in Saudi Arabia and Space Theme Park India Ltd. He is a Founder and the Vice Chairman of Gulf Navigation Holding PJSC and Chairman of the Executive Committee and Director on the Board of Gulf Stolt Tankers.

Mr. Ghazi Al-Ibrahim graduated from San Diego State University (B.S.) and Sam Houston State University (MS).

03
MR. NASSER AL-KAHTANI

Original Founder

Mr. Nasser Al-Kahtani, a Saudi National, is the Executive Director of the Arab Gulf Programme for Development – AGFUND. He holds a master's degree from the University of Miami, and is considered to be one of the most distinguished Arab leaders in the field of international development.

Assuming a number of advisory positions and membership of several boards in both public and private sectors, Mr. Al-Kahtani has won the confidence and high esteem of various executive councils functioning in human development and became well known as one of the most influential development leaders in the Arab world.

Mr. Al-Kahtani is also the Head of AGFUND Team for establishment of the Banks for the Poor in the Arab World, besides his membership on the boards of many banks and financial institutions working in the field of microfinance in the Arab Region. He played leading roles and has made bold contributions in the development and upgrading of micro, small and medium finance institutions.

04 MR. FAHAD SUNETAN AL OTAIBI

Original Founder

Fahad Al Otaibi, a Kuwaiti National, is the chairman of Arab Combined Shipping & Transport Co. which has become well established over a number of years offering professional experience in shipping and road transportation, and by handling RO-RO, B/Bulk and Chartered Vessels carrying regular commercial cargo and Government project cargo. The company has been nominated as exclusive handling agent for many companies in Kuwait.

Mr Otaibi has been a Board Member of Gulf Navigation since 2003 and holds a Bachelors of Business Administration qualification.

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05 MR. ANEES ISSA

Original Founder

Mr Anees, an Omani National is the Chief Partner in Cyclone LLC, Sultanate of Oman.

Mr. Anees is also Managing Director of National Publishing and Advertising, Media Phone Co. LLC, and Muscat Press and Publishing House.

Mr. Anees holds a degree in International Relations from the Webster University, USA.

06 ENG/ RASHID AL SHAMSI

Engineer Rashid Al Shamsi, an Emirati National, has been working in the marketing and distribution of petroleum products for over 22 years. In 1992 he was appointed as Deputy General Manager (Sales and Marketing) in Emarat and in 2002 he was appointed as the General Manager of Emirates General Petroleum Corporation in Dubai, as well as holding the position of CEO of Sama Dubai Real Estate Company.

At present, Mr. Al Shamsi is the Vice Chairman of Dubai Financial Market, a Board Director of Nasdaq Dubai Securities Exchange and a Board Director of Emirates Transport. He was also previously a member of the Board of Directors of the Dubai Chamber of Commerce and Industry (1991-1997), and a Board Director of Dubai Mercantile Exchange (DME).

He is a founding partner of MEECON (for architectural and engineering project Management consultancy) and the owner of Al Shamsi Property Management Company in Dubai. He received his B.S. in Civil Engineering and Building Science from the University of Southern California, USA in 1982.

07 MR. ALI HAMDAN AHMED

Mr. Ali Hamdan, an Emirati National, has 13 years of experience in the fields of Economics, Industry, Investment and International Relations. Mr. Ali Hamdan holds a master's degree in business administration (MBA) from the American University of Sharjah (2004), and obtained a master's degree in science from the University of Pennsylvania, USA in 1998, and a Bachelor of Science from the University of the United Arab Emirates in 1994.

Currently he is working in the International Financial Relations Sector, as a Director of International Financial Organisations Department at the Ministry of Finance, UAE. He is a member of the Negotiating team of the GCC Free Trade Agreements (FTA) between the GCC states and other countries, and a member of the UAE Negotiating team for the Double Taxation Avoidance Agreements and the Negotiation team for Bilateral Investment Treaties BIT.

Mr. Ali Hamdan won the Sheikh Rashid Scientific Achievement Award two times, in 1999 and in 2006, and the Excellence Award in 2008 at the Ministry of Finance.

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08 MR. ABDULLAH MOHAMMED AL HOUSANI

Abdullah Al Housani, an Emirati National, holds a Bachelor degree in Accountancy and Economics from Al-Ain University in the United Arab of Emirates (1987).

Mr. Abdullah Al-Housani is currently the Head of Branches and Consumer Banking Transformation at the National Bank of Abu Dhabi (NBAD). He previously occupied the position of Head of Consumer Banking Transformation at NBAD, and the position of Project Manager, Consumer Banking Transformation Office at NBAD and he was also previously an Area Manager at Abu Dhabi National Bank (main branch).

Mr. Al-Housani formerly occupied many positions; Deputy General Manager of Salem Co. Ltd., General Manger of Al Sahel Shares Centre, Manager of Abu Dhabi National Bank (main branch), Manager of Abu Dhabi National Bank (Sheikh Rashid branch), Manager of First Gulf Bank (Ajman branch), Manager of Dubai Commercial Bank (Ajman branch), Assistant Manager of Commercial Bank (Deira branch), and Operation Supervisor of Oman Bank - now Mashreq Bank (Ajman branch). In total, Mr. Al-Housani has had more than twenty years of experience in the banking sector.

09 MR. JEHAD A. AL RASHEED

Mr. Al Rasheed, a Saudi National, graduated with a Bachelor degree in Mathematics from Al Mostansiriyah University, Baghdad, Iraq in 1975.

Mr. Al Rasheed is currently the General Manager of Yamama Cement Co. (Riyadh, K.S.A), one of the largest Saudi cement producers which he joined in early 2008.

Previously, Mr. Al Rasheed was with Saudi Basic Industries Corporation (SABIC) for a period of 27 years in which he held a number of significant positions as: Manager, Liquid Products Handling, Manager of Domestic Sales, Assistant Vice President for Domestic Sales, Vice President of PVC and Polystyrene, General Manager of SABIC Logistics and then General Manager of Polyester and Melamine Marketing.

Mr. Al Rasheed, as one of the senior executives in SABIC, assumed many posts on the boards of SABIC affiliated companies, the most significant were; board member of AL-BAYRONI, Vice Chairman of IBN HAYAN, Board member of HADEED, Board member of SABTANK, Chairman of the International Shipping & Transport Co. (ISTC), Vice Chairman of IBN RUSHD. Mr. Al Rasheed took part in many committees and developmental schemes of the Company such as Quality Control, Information Systems, Business Systems and Organisation Structures and Acquisition Plans. In addition, Mr. Al Rasheed attended many administrative and financial training courses at prominent international institutions.

10 CAPT. FAISAL M AL-QAHTANI

Captain Faisal M Al-Qahtani, a Saudi National, is the Senior Vice President and Managing Director of DP World, MEA Region.

Capt. Al-Qahtani holds a master's degree in Marine Studies. His career started with National Shipping Company, Saudi Arabia (NSCSA), which he left in 2003 when he was the Corporate Operations and Logistics Manager, he moved on to the position of General Manager at Zamil Industrial Company and then with United Maritime Lines between 2003 and 2007. In 2007, he joined Dubai Port World as Senior Vice President and Managing Director for the MEA Region.

Capt. Al-Qahtani has played a key role in formulating the long-term and short-term strategic plans of DP World and has been instrumental in executing project developments as per the business plans. He also played a vital role in the acquisition of Sokhna Port in Egypt.

Capt. Faisal is currently a board member of the Dubai & Aden Port Development Company (DAPDC Yemen), DP World Middle East Investments LLC. (Dubai, U.A.E), DP World Middle East LLC. (Dubai U.A.E), DP World Sokhna SAE (Egypt) and he is the Chairman of the Mohkam Bahakim Group Company.

COMMITTEES

CORPORATE GOVERNANCE AND COMMITTEES

Gulf Navigation Holding PJSC has fully adopted and implemented the relevant corporate governance rules as set out by Emirates Securities and Commodities Authority (ESCA). In 2011 it was honoured by ESCA for its efforts in this field.

Adopting and implementing the corporate governance framework is a key focus of the Board of Directors and the Executive Management and this ensures that the business strategy is followed within a clear, correct and highly credible framework. The adopted corporate governance framework clearly sets out the roles of the Board of Directors and its committees, as well as the relationship between the Board of Directors and executive management.

THE BOARD AND ITS COMMITTEES

Gulf Navigation Holding PJSC has three Board Committees:

1. Executive Committee
This committee focuses on the long-term strategy formulation, annual plans and monitoring the performance of executive management.

Currently, the committee has four members; Mr. Ghazi Al-Ibrahim is the Chairman of the committee working alongside Mr. Nasser Al-Qahtani, Mr. Jehad Al Rasheed and Mr. Faisal Al Qahtani.

2. Audit Committee
This committee assists the board in fulfilling their oversight responsibilities to ensure the integrity of the financial statements, external auditor's qualifications and independence; and the performance of Gulf Navigation's Internal Control Department.

The committee has three members who are all non-executive board directors; Mr. Abdullah Al-Housani is the Chairman of the committee; Mr. Rashid Al-Shamsi and Mr. Ali Hamdan Ahmed are the other committee members.

3. Nomination and Remuneration Committee
This committee assists the board in fulfilling their oversight responsibilities for the independence of board members and the integrity of the remuneration strategy at Gulf Navigation Holding PJSC.

The committee has three members; they are independent and non-executive board directors; Mr. Rashid Al-Shamsi is the Chairman of the committee; Mr. Fahad Al-Otaibi and Mr. Ali Hamdan Ahmed are the other committee members.

Internal Control Department (ICD)
Functionally, the ICD reports directly to the board of directors through the audit committee. Risk-Based-Audit is the adopted methodology by the ICD to execute the audits, whilst the entire internal audit plans are reviewed, discussed and approved by the Audit committee. In addition, the ICD supports the management to manage the risk and implement the corporate governance rules in a way that ensures compliance with Laws, Policies and Procedures, and the requirements of DFM and ESCA.

Code of Conduct
Gulf Navigation Holding PJSC, characterised by its management and employees, has adopted a variety of codes of conduct that includes; dealing with business partners, ethics, conflict of interest, compliance, privacy, and confidential reporting policy.

Confidential reporting policy
The aim of this policy is to report and escalate any contraventions, and resolve them in respect of achieving the GNH's interest and objectives.

Corporate Governance Report of Gulf Navigation Holding PJSC
The detailed Corporate Governance report for 2011 is available on the Gulf Navigation website (www.gulfnav.com), website of the Securities and Commodities Authority (www.sca.ae), and the Dubai Financial Market's website (www.dfm.ae).

	2011 AED'000	2010 AED'000	2009 AED'000
Revenue	**256,362**	312,976	338,163
Operating Profit (EBIDA)	**67,342**	103,100	147,182
Net profit for the year	**(72,695)**	(236,772)	26,546
Net cash generated from operations	**80,492**	110,687	44,511
Capital expenditure	**453,180**	26,114	169,564
Basic and Diluted EPS	**- AED 0.046**	-AED 0.149	AED 0.016

FINANCIAL HIGHLIGHTS 2009 – 2011

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The Directors submit their report and consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2011. These will be laid before the share holders at the Annual General Meeting of the Company, which is scheduled to be held on 22 April 2012.

Principal activities
The Group 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.

Results and appropriation of profit
The results of the Group for the year ended 31 December 2011 are set out on page 24 of these consolidated financial statements.

Directors

The Directors of the Company during the year were as follows:

Mr. Abdullah A. Al-Shuraim	(Chairman)
Mr. Ghazi A. Al-Ibrahim	(Vice Chairman)
Mr. Rashid Al Shamsi	(Director)
Mr. Fahad G. Al-Otaibi	(Director)
Mr. Anees Mohammad Issa	(Director)
Mr. Nasser Al-Qahtani	(Director)
Mr. Ali Hamdan Ahmed	(Director)
Mr. Abdullah Al Housani	(Director)
Mr. Jehad Al Rasheed	(Director)
Mr. Faisal Al Qahtani	(Director)
Mr. Abdul Rahman Al Saleh	(Director)
Mr. Mohammad Al Muallem	(Director)

Mr. Abdul Rahman Al Saleh and Mr. Mohammad Al Muallem resigned during the year.

Auditors
The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers who, retire and being eligible, offer themselves for reappointment.

On behalf of the Board

Ghazi A. Al-Ibrahim
Vice Chairman
March 29, 2012

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CONSOLIDATED FINANCIAL STATEMENTS »»

31 DECEMBER 2011

Final Version

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as of 31 December 2011, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, in respect of the Company, as required by the UAE Federal Law No. (8) of 1984, as amended, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;
(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;
(iii) the Company has maintained proper books of accounts and has carried out the physical verification of inventories in accordance with the properly established procedures;
(iv) the financial information included in the Directors' report is consistent with the books of account of the Company; and
(v) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as of 31 December 2011.

PricewaterhouseCoopers

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates
March 30, 2012

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east
W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

CONSOLIDATED BALANCE SHEET

	Note	2011 AED'000	2010 AED'000
		At 31 December	
Assets			
Non-current assets			
Vessels, property and equipment	6	1,559,695	1,169,804
Goodwill	7	518,550	518,550
Investment in jointly controlled entities	8	135,609	139,027
Due from a related party	18	25,631	-
Trade receivable	10	29,907	29,907
		2,269,392	1,857,288
Current assets			
Inventories	9	20,864	18,419
Due from related parties	18	2,677	105
Trade and other receivables	10	58,278	71,759
Term deposits	26	116,900	160,000
Cash and cash equivalents	11	42,174	118,555
		240,893	368,838
Assets of a disposal group classified as held for sale		-	175,681
		240,893	544,519
Total assets		2,510,285	2,401,807
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital	12	1,655,000	1,655,000
Statutory reserve	13	31,546	31,546
Reserve for own shares		(46,706)	(46,706)
Accumulated losses		(303,502)	(230,807)
		1,336,338	1,409,033
Hedging reserve for interest rate swaps	14	(47,804)	(59,062)
Total equity		1,288,534	1,349,971
Non-current liabilities			
Borrowings	15	-	804,418
Provision for employees' end of service benefits	16	1,178	1,092
Interest rate swap liabilities	14	47,804	59,062
		48,982	864,572
Current liabilities			
Trade and other payables	17	77,185	56,080
Due to related parties	18	8,703	6,041
Bank overdraft	11	62,152	-
Borrowings	15	1,024,729	52,400
		1,172,769	114,521
Borrowings of a disposal Group classified as held for sale	15	-	72,743
		1,172,769	187,264
Total liabilities		1,221,751	1,051,836
Total equity and liabilities		2,510,285	2,401,807

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issuance and approved by the Board of Directors on March 29, 2012 and signed on its behalf by:

Ghazi A. Al-Ibrahim

CONSOLIDATED INCOME STATEMENT

	Note	2011 AED'000	2010 AED'000
		Year ended 31 December	
Operating revenue	19	256,362	312,976
Voyage related direct costs	20	(61,864)	(46,391)
Other operating costs	21	(164,220)	(260,396)
Gross profit		30,278	6,189
Other income		1,874	1,695
General and administrative expenses	22	(29,407)	(23,734)
Expenses relating to assets classified as held for sale / disposed of	24	(24,720)	(210,741)
Operating loss for the year		(21,975)	(226,591)
Finance income		3,480	33,674
Finance costs		(50,782)	(43,483)
Finance costs – net		(47,302)	(9,809)
Share of loss in jointly controlled entities – net	8	(3,418)	(372)
Loss for the year		(72,695)	(236,772)
Loss per share			
- Basic and diluted (AED)	25	(0.046)	(0.149)

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2011 AED'000	2010 AED'000
Loss for the year	(72,695)	(236,772)
Other comprehensive income:		
Change in fair value of interest rate swap hedges	39,216	30,387
Interest rate swap hedge reserve recycled to the consolidated income statement	(27,958)	(31,858)
Other comprehensive income/(loss) for the year	11,258	(1,471)
Total comprehensive loss for the year	(61,437)	(238,243)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Share capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Reserve for own shares AED'000	Accumulated losses AED'000	Total AED'000
At 1 January 2010		1,655,000	31,546	(57,591)	-	54,349	1,683,304
Comprehensive loss							
Loss for the year		-	-	-	-	(236,772)	(236,772)
Other comprehensive loss							
Hedge reserve		-	-	(1,471)	-	-	(1,471)
Total comprehensive loss for the year		-	-	(1,471)	-	(236,772)	(238,243)
Transactions with owners							
Own shares purchased		-	-	-	(46,706)	-	(46,706)
Dividend	31	-	-	-	-	(48,384)	(48,384)
At 31 December 2010		1,655,000	31,546	(59,062)	(46,706)	(230,807)	1,349,971
Comprehensive loss							
Loss for the year		-	-	-	-	(72,695)	(72,695)
Other comprehensive income							
Hedge reserve		-	-	11,258	-	-	11,258
Total comprehensive income / (loss) for the year		-	-	11,258	-	(72,695)	(61,437)
At 31 December 2011		1,655,000	31,546	(47,804)	(46,706)	(303,502)	1,288,534

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

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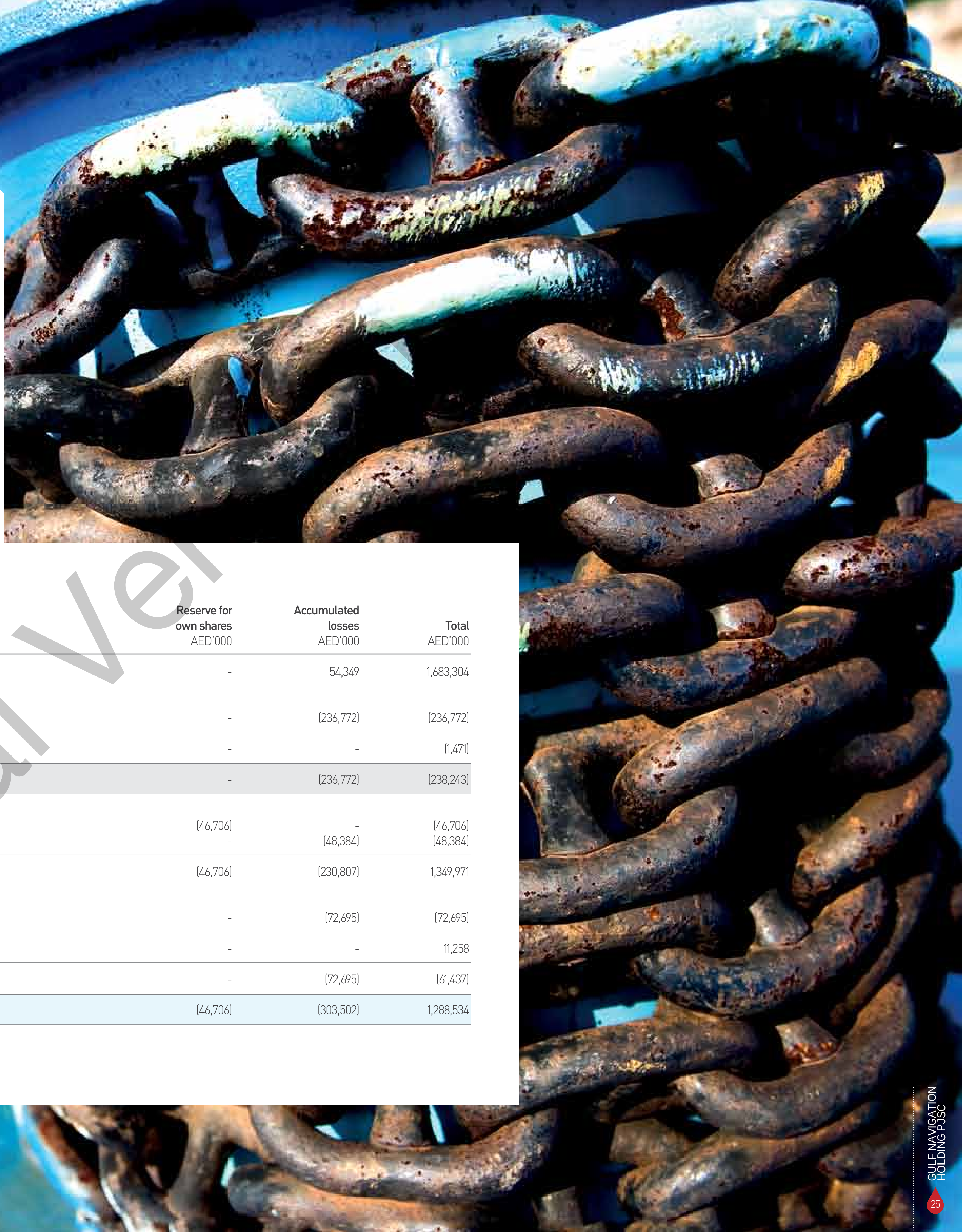

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2011 AED'000	2010 AED'000
Operating activities			
Loss for the year		(72,695)	(236,772)
Adjustments for:			
Depreciation	6	63,287	112,407
Impairment loss on vessels held for sale	24	4,714	174,497
Net realisable value adjustment on assets of a disposal Group classified as held for sale		-	36,244
Share of loss in jointly controlled entities	8	3,418	372
Provision for employees' end of service benefits	16	515	503
Profit on sale of vessels, property and equipment		(7)	(10)
Loss on sale of asset held for sale	24	1,278	-
Provision for impairment of trade receivables	10	9,431	6,050
Write-off of inventory aboard vessels	24	10,099	-
Finance income		(3,480)	(33,674)
Finance costs		50,782	43,483
Operating profit before working capital changes and payment of employees' end of service benefits		67,342	103,100
Payment for employees' end of service benefits	16	(429)	(128)
Changes in working capital:			
Inventories before write off		(12,544)	12,736
Due from related parties		(2,572)	-
Trade and other receivables before movement in provision for impairment and write offs		4,050	(12,956)
Trade and other payables (excluding dividend payable)		21,983	7,935
Due to related parties		2,662	-
Net cash generated from operating activities		80,492	110,687
Investing activities			
Purchase of vessels, property and equipment		(453,180)	(26,114)
Refund received on cancellation of vessels		-	231,434
Proceeds from disposal of vessels, property and equipment		9	929
Proceeds from sale of assets classified as held for sale		169,689	-
Interest received		3,480	33,674
Loan provided to a related party		(25,631)	(139,399)
Withdrawal of/(investment in) term deposit		43,100	(160,000)
Net cash used in investing activities		(262,533)	(59,476)
Financing activities			
Borrowings availed	15	236,070	-
Repayment of borrowings	15	(140,902)	(202,909)
Repurchase of own shares		-	(46,706)
Dividends paid		(878)	(46,350)
Interest paid		(50,782)	(43,483)
Net cash provided by / (used in) financing activities		43,508	(339,448)
Decrease in cash and cash equivalents		(138,533)	(288,237)
Cash and cash equivalents at beginning of year		118,555	406,792
Cash and cash equivalents at end of year	11	(19,978)	118,555

The notes on pages 30 to 50 are an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS »»

1.0 LEGAL STATUS & ACTIVITIES

Gulf Navigation Holding PJSC ("the Company") 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 company 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 Company operates from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

The Company and its following directly or indirectly wholly owned subsidiaries are referred to as "the Group" in the consolidated financial statements:

Subsidiaries	Country of incorporation
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 Eyada Corporation	Panama
Gulf Sieb Shipping Inc	Panama
Gulf Jash Shipping Inc	Panama
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Mishref Shipping Inc	Marshal Islands
Gulf Mizwar Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Riyad Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands
Gulf Sheba Shipping Limited	Hong Kong
Gulf Navigation Holding PJSC(Br)	Kingdom of Saudi Arabia

The Group also has interest in the following jointly controlled entities:

Jointly controlled entities	Country of incorporation	Percentage of shareholding
Gulf Stolt Ship Management JLT	United Arab Emirates	50%
Gulf Stolt Tankers DMCCO	United Arab Emirates	50%

2.0 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern

At 31 December 2011, the Group was in breach of a debt covenant in relation to the fair market value of owned vessels and a cash covenant in relation to minimum cash balances (Note 15), which gave the lenders the right to call an event of default and by further notice, declare that all the loans were payable on demand. Accordingly, the bank borrowings have been classified as current liabilities in these consolidated financial statements. This resulted in the Group having a net current liability position of AED 931,876 thousand (31 December 2010: net current assets of AED 357,255 thousand). However, subsequent to the year end, the Group reached an agreement with its lenders for a reset of the stated debt and cash covenants for a period from 24 November 2011 to 31 March 2013 (hence covering a period of 12 months from the approval of these consolidated financial statements) to eliminate the breach for the period.

The above stated reset agreement enables the Group to rectify the breach and accordingly, the borrowings classified as current liabilities as at 31 December 2011 in these consolidated financial statements will be reclassified to non-current liabilities effective the date of the reset agreement. Further, the Group can meet its borrowing obligations as they fall due and accordingly, these consolidated financial statements have been prepared on a going concern basis.

New standards, amendments to published standards and interpretations

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Group

- IAS 1, 'Financial statement presentation' (effective 1 July 2012);
- IAS 19, 'Employee Benefits' (effective 1 January 2013);
- IFRS 7 (amendment), 'Financial instruments' (effective 1 July 2011);
- IFRS 9, 'Financial instruments' (effective 1 January 2015);
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective 1 January 2013);
- IAS 27 (revised 2011), 'Separate financial statements (effective 1 January 2013);
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group is assessing the impact of the above standards, amendments and interpretations to published standards on the Group's consolidated financial statements.

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2.2 CONSOLIDATION

(A) Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Acquisition-related costs are expensed as incurred.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement.

A listing of the Group's principal subsidiaries is set out in Note 1.

(B) Jointly controlled entities
Joint controlled entities are those entities on which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted using the equity method and are recognised initially at cost. The Group's share of its jointly controlled entities, in the post-acquisition profits and losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in jointly controlled entity exceeds its interest therein, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of that jointly controlled entity. Where necessary, accounting policies for jointly controlled entities have been changed or adjustments are made to ensure consistency with the policies adopted by the Group.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in jointly controlled entities are recognised in the consolidated income statement.

2.3 FOREIGN CURRENCIES

(A) Functional and presentation currency
Items included in the financial statements of each of the Group's subsidiaries and jointly controlled entities (together, "entities") are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). Since most of the transactions of the entities are denominated in US Dollar ("USD") or currencies pegged to the USD, the functional currency of the entities is US Dollars. However, the consolidated financial statements of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

(B) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(C) Group companies
The results and financial position of all the Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

2.4 VESSELS, PROPERTY & EQUIPMENT

Vessels, property and equipment are stated at historical cost less accumulated depreciation. The historical costs represent the purchase cost together with any incidental expenses of acquisition. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

Depreciation is computed using the straight line method at rates calculated to reduce the cost of assets to their estimated residual values over their expected useful lives, as follows;

	Years
Vessels	11-25
Buildings	30
Leasehold improvements	10
Equipment	2-5
Furniture & fixtures	5
Vehicles	5
Dry docking costs (included in carrying amount of vessels)	3-5

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and included in the consolidated income statement.

Vessels in the course of construction are carried at cost less impairment (if any), as capital work-in-progress, and are transferred to the category of vessels when available for use.

2.5 INVENTORIES

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis and includes all attributable import expenses. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.6 FINANCIAL ASSETS

Classification
The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties' and 'cash and cash equivalents' in the balance sheet

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2.7 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swaps as a hedge of exposure to variability in future interest payments on variable rate debts (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 14. Movements on the hedging reserve are shown in the other comprehensive income. The full fair value of a hedging derivative is classified as a non-current liability as remaining hedged items are more than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss.

The fair value of interest rate swaps (hedging instrument), is based on the mark-to-market valuation provided by the designated banks at the reporting date and is calculated as the present value of the estimated future cash flows.

2.8 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested quarterly for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceed its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 INTANGIBLE ASSETS

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the groups of cash generating units (CGUs), that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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Goodwill impairment reviews are undertaken quarterly or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.11 TRADE RECEIVABLES

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 CASH & CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank, on hand and deposits held at call with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and deposits with an original maturity of less than three months and bank overdraft.

2.13 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.15 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.16 PROVISIONS

Provisions are recognised when the Group have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Provision is made, using actuarial techniques, for the full amount of end of service benefits due to employees in accordance with UAE Labour Law, for their periods of service up to the balance sheet date. The provision relating to end of service benefits is disclosed as a non-current liability. A provision is made for the estimated liability for leave passage as a result of services rendered by employees up to the balance sheet date and is disclosed as a current liability.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the company's equity holders (reserve for own shares) until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.19 DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

2.20 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group activities, as described below:

Revenues received from time charter are recognised on a straight line basis over the duration of the charter.

Revenues associated with voyage charter are recognised by reference to the stage of completion of the voyage at the balance sheet date.

Ship agency and commercial agency revenues consist of the invoiced value of goods supplied and services rendered, net of discounts and returns and is recognized when goods are delivered and services have been performed.

2.21 LEASES

Group as lessor
Rental income from operating leases (net of any incentives given to lessees) is recognised in the income statement on a straight-line basis over the lease term.

2.22 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.23 ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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3.0 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Market risk

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investing excess liquidity.

Key financial risk management reports are produced monthly on a Group level and provided to the key management personnel of the Group.

Foreign exchange risk

The Group is not significantly exposed to currency risk as the majority of its sales, purchases and borrowings are primarily denominated in the respective functional currencies of Group companies or in UAE Dirham which is pegged to US Dollar.

The currency conversion rate between the US Dollar and the UAE Dirham has remained stable over the past several years.

Cash flow interest rate risk

The Group's interest bearing assets primarily comprise short term bank deposits. The Group's interest rate risk principally arises from long-term borrowings at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

The long-term loans carry interest at normal commercial rates, which are in general, fixed for specific periods with respect to the base lending rates of banks. The Group adopts a policy of ensuring that between 50 and 60 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The Group has entered into interest rate swap agreements to manage interest rate risks.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions and alternative financing sources. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Had bank borrowing interest rate shift by 50 basis points (in the case of floating interest rates) and all other variables remained unchanged, the net profits and equity of the Group would have changed by AED 1,248 thousand for the year ended 31 December 2011 (2010: AED 343 thousand) accordingly.

Fair value interest rate risk

The Group does not have any significant fixed rate financial liabilities and the fixed rate financial assets are for a short-term period. As a result, the Group is not exposed to fair value interest rate risk due to changes in interest rates.

Credit risk

Credit risk mainly arises from cash and bank balances and deposits with banks. Only banks and financial institutions which are independently rated or with high reputation are accepted. Other receivables and due from related parties, except provided for, are fully recoverable at the balance sheet date.

The credit quality of the financial assets held with banks can be assessed by reference to external credit ratings as follows:

Counterparty	Rating Moody's	2011 AED'000	2010 AED'000
Banks			
A	C-	1,328	3,231
B	C	15,818	17,832
C	D-	1,461	4,526
D	B-	26	684
E	C	11,642	12,523
F	C-	63	63
G	C	8,676	10,320
H	D+	3,018	25,533
I	C+	-	37,188
L	D+	-	5,232
J	Not rated	-	1,032
K	Not rated	-	46
Cash and bank balances *(excluding cash on hand)*		42,032	118,210

The credit risk related to trade and other receivables is disclosed in Note 10.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors the rolling forecast of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and also to cover the future capital requirements. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

	Carrying Amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000	1 to 5 years AED'000	More than 5 years AED'000
At 31 December 2011					
Trade and other payables *(excluding advance from customers and dividend payable)*	56,750	56,750	56,750	-	-
Due to related parties	8,703	8,703	8,703	-	-
Borrowings	1,024,729	1,259,729	143,760	440,543	675,426
Interest rate swap liabilities	47,804	60,409	27,263	32,735	411
	1,137,986	1,385,591	236,476	473,278	675,837
At 31 December 2010					
Trade and other payables *(excluding advance from customers and dividend payable)*	34,906	34,906	34,906	-	-
Borrowings	929,561	1,239,975	116,727	383,286	739,962
Due to related parties	6,041	6,041	6,041	-	-
Interest rate swap liabilities	59,062	78,206	35,295	42,379	532
	1,029,570	1,359,128	192,969	425,665	740,494

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3.2 CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business thereby increasing shareholder's value and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents 'bank borrowings' and 'bank overdraft' as shown in the balance sheet less 'cash and cash equivalents' as shown in the balance sheet. Total capital is calculated as 'total equity' as shown in balance sheet plus net debt.

	2011 AED'000	2010 AED'000
Total borrowings	1,024,729	929,561
Bank overdraft	62,152	-
Cash and cash equivalent	(42,174)	(118,555)
Net debt	1,044,707	811,006
Total equity	1,288,534	1,349,971
Total capital	2,333,241	2,160,977
Gearing ratio	44.8%	37.5%

The increase in the gearing ratio during 2011 resulted primarily from the borrowing availed for the purchase of new vessel and the use of bank overdraft facility to finance working capital requirements.

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

	Level 2 AED'000
31 December 2011	
Interest rate swap liabilities	47,804
31 December 2010	
Interest rate swap liabilities	59,062

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The Group did not have any other financial assets or liabilities that are measured at fair value at 31 December 2011 and 2010.

4.0 CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of vessels
Management assesses the impairment of vessels whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in an asset's market value beyond that would be expected from the passage of time or normal use;
- Significant changes in the use of its assets or the strategy of the operation to which the asset belongs;
- Significant changes in the technology and regulatory environments; and
- Evidence from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If such an indication exists, an impairment test is completed by comparing the carrying values of the cash generating unit with their recoverable amounts. The recoverable amount of the asset taken into consideration in its value-in-use.

Impairment of goodwill
The Group tests quarterly whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use. These calculations require the use of estimates.

The Group has carried out the sensitivity analysis of the key assumptions used in the value in use calculation and no significant impact on the carrying value of goodwill has been noted.

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5.0 OPERATING SEGMENTS

Information about reportable segments, all figures in AED '000	Vessel owing and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owing and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	2011						2010					
Operating revenue	236,518	2,001	17,843	-	-	256,362	294,986	2,639	15,351	-	-	312,976
Finance income	15	-	1	3,464	-	3,480	38	-	1	33,635	-	33,674
Other income	89	551	30	1,204	-	1,874	274	664	28	729	-	1,695
Operating costs	(214,024)	(1,609)	(10,507)	-	56	(226,084)	(295,369)	(2,238)	(9,232)	-	52	(306,787)
Finance costs	(49,573)	(5)	(24)	(1,180)	-	(50,782)	(42,423)	(16)	(22)	(1,022)	-	(43,483)
General and Administrative expenses	(9,456)	(968)	(3,389)	(15,594)	-	(29,407)	(2,756)	(989)	(3,757)	(16,232)	-	(23,734)
Expenses relating to assets classified as held for sale / disposed of	(24,720)	-	-	-	-	(24,720)	(210,741)	-	-	-	-	(210,741)
Share of (loss) / profit in jointly controlled entities – net	-	-	-	(3,418)	-	(3,418)	-	-	-	(372)	-	(372)
Reportable segment - (loss) / profit	(61,151)	(30)	3,954	(15,524)	56	(72,695)	(255,991)	60	2,369	16,738	52	(236,772)
	At 31 December 2011						At 31 December 2010					
Reportable segment - assets	4,240,613	10,391	47,216	3,617,692	(5,405,627)	2,510,285	3,694,001	9,333	39,926	3,376,697	(4,718,150)	2,401,807
Reportable segment - liabilities	4,296,862	11,200	29,304	2,253,036	(5,368,651)	1,221,751	3,908,845	10,053	23,599	1,684,808	(4,575,469)	1,051,836

Business segments

The Group comprises the following main business segments:

- *Vessel owning & chartering:* Chartering of the vessels to customers;
- *Commercial:* Trading of goods such as supplies, chemicals, gases required for ships;
- *Agency:* Providing agency services to ships calling at ports; and
- *Other:* Includes management of all divisions and administrative activities.

Geographical segments

The chief operating decision maker of the Group ("Group's Executive Committee") does not consider the geographical distribution of the Group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed. All operating segments' results are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

6.0 VESSELS, PROPERTY & EQUIPMENT

	Vessels AED'000	Buildings AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture & fixtures AED'000	Vehicles AED'000	Capital -work- -in-progress AED'000	Total AED'000
Cost								
At 1 January 2010	1,813,757	8,885	2,370	1,198	256	347	232,761	2,059,574
Additions	22,210	-	15	56	6	144	3,683	26,114
Transfers	5,010	-	-	-	-	-	(5,010)	-
Reclassification of assets held for sale	(541,083)	-	-	-	-	-	-	(541,083)
Disposals	(15,664)	-	-	(23)	-	-	(231,434)	(247,121)
At 31 December 2010	1,284,230	8,885	2,385	1,231	262	491	-	1,297,484
Additions	345,279	-	-	86	6	59	107,750	453,180
Disposals	-	-	-	(10)	-	(32)	-	(42)
At 31 December 2011	1,629,509	8,885	2,385	1,307	268	518	107,750	1,750,622
Depreciation and impairment losses								
At 1 January 2010	218,031	856	1,050	635	184	190	-	220,946
Charge for the year	111,425	296	348	218	28	92	-	112,407
Impairment loss – net	174,497	-	-	-	-	-	-	174,497
Reclassification of assets held for sale	(365,402)	-	-	-	-	-	-	(365,402)
Disposals	(14,751)	-	-	(17)	-	-	-	(14,768)
At 31 December 2010	123,800	1,152	1,398	836	212	282	-	127,680
Charge for the year	62,312	296	352	222	25	80	-	63,287
Disposals	-	-	-	(8)	-	(32)	-	(40)
At 31 December 2011	186,112	1,448	1,750	1,050	237	330	-	190,927
Net book amount								
At 31 December 2011	1,443,397	7,437	635	257	31	188	107,750	1,559,695
At 31 December 2010	1,160,430	7,733	987	395	50	209	-	1,169,804

i) The management has contracted with the Shipyard ("the Contractor") for the construction of two new vessels. The payment terms set out in Addendum No 1 to the main contract entered into with the Contractor referred to the payment dates of November / December 2011 for the 2nd instalment with a value of AED 53,253 thousand (USD 14,550 thousand) but these dates were linked to a minimum period from agreed delivery date. Discussions have been on-going with the Contractor as to further delays to the delivery schedule and the management believes that until these dates have been agreed, the due payment dates are open to discussion. Further, the management has obtained a legal opinion on the above issue. As per the opinion, the Contractor is unlikely to contend at present that the Group is in default of its payment obligation in respect of the 2nd instalment.

ii) The amount of borrowing costs capitalised in capital-work-in-progress during the year was AED 425 thousand (2010: AED 289 thousand). Vessels with a net book value of AED 1,409,133 thousand (2010: AED 1,455,062 thousand) are mortgaged as security for term loans (Note 15).

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7.0 GOODWILL

	2011 AED'000	2010 AED'000
Goodwill	518,550	554,794
Transferred to non-current assets held for sale	-	(36,244)
	518,550	518,550

The goodwill as of 31 December 2011 relates to goodwill that arose at the time of IPO following the acquisition for cash of the existing businesses by the founding shareholders of the Gulf Navigation Holding LLC from the original shareholders. These businesses were transferred in kind by the founding shareholders of Gulf Navigation Holding LLC for a 45% shareholding in Gulf Navigation Holding PJSC. The goodwill has been allocated to the vessel owning and charter segment of the business.

Management reviews the business performance based type of business. It has identified Vessel owning and chartering division, Commercial division and Agency division as main type of business. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Board of Directors covering a five-year period. However, vessels which are on time charter, for more than five years, a period till the end of their charter party agreement has been approved by the Board of Directors. Cash flows beyond the approved budget period are extrapolated using the estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used in value in use calculations are:

Gross Margin
Gross margin is based on the current level of activity.

Growth rate	2011	2010
For revenue beyond the budget period	5%	5%
For operating costs beyond the budget period	3%	3%

Discount rates
5.5% (2010: 6%) reflects management's benchmark for evaluating investment proposals.

The recoverable amount calculated based on value in use exceeded carrying value by AED 231,907 thousand. A reduction in gross margin by 6.2%, a fall in growth rate to 3.825% or a rise in discount rate to 6.495 % would remove the remaining headroom.

8.0 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	2011 AED'000	2010 AED'000
As at 1 January	139,027	-
Investments during the year	-	139,399
Share of loss in jointly controlled entities	(3,418)	(372)
	135,609	139,027

Investment in jointly controlled entities represents the Group's 50% interest in Gulf Stolt Ship Management JLT and Gulf Stolt Tankers DMCCO which have been formed in accordance with a joint venture agreement with Stolt-Nielsen Indian Ocean Middle East Service Limited.

Summary financial information for the jointly controlled entities, not adjusted for the percentage ownership held by the Group is as follows:

	Gulf Stolt Ship Management JLT		Gulf Stolt Tankers DMCCO	
	2011 AED'000	2010 AED'000	2011 AED'000	2010 AED'000
Current assets	5,513	200	89,003	44,443
Non-current assets	387	3,844	660,072	685,332
Current liabilities	(1,282)	(1,755)	(11,660)	(7,690)
Non-current liabilities	(735)	-	(419,966)	(447,383)
Net assets	3,883	2,289	317,449	274,702
Revenue	10,237	10,044	75,549	48,685
Expenses	(8,553)	(8,286)	(84,069)	(51,187)
Profit/(loss) for the year	1,684	1,758	(8,520)	(2,502)

9.0 INVENTORIES

	2011 AED'000	2010 AED'000
Spare parts	3,771	10,527
Vessel oil and lubricants	3,315	4,947
Fuel	13,685	2,157
Others	93	788
	20,864	18,419

10.0 TRADE & OTHER RECEIVABLES

	2011 AED'000	2010 AED'000
Non-current		
Trade receivable (i)	29,907	29,907
Current		
Trade receivables	38,145	37,980
Less: provision for impairment of trade receivables	(15,372)	(9,038)
	22,773	28,942
Awards receivable	5,914	5,914
Advance to suppliers	6,713	1,036
Prepayments	1,555	2,163
Other receivables	21,323	33,704
	58,278	71,759

(i) An amount of AED 32,652 thousand is receivable from the Estate of Atlas Shipping A/S. This receivable is stated at its net present value, net off discount, amounting to AED 2,745 thousand. The Group had a significant concentration of credit risk with this customer as it accounted for 46% (2010: 45%) of the trade receivables outstanding at 31 December 2011. Management believes that this concentration of credit risk is mitigated on the basis of advice from the lawyer.

As at 31 December 2011, trade receivables of AED 22,773 thousand (2010: 28,942 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2011 AED'000	2010 AED'000
Up to 150 days	9,366	22,772
More than 150 days	13,407	6,170
	22,773	28,942

As at 31 December 2011, trade receivables with a nominal value of AED 15,372 thousand (2010: AED 9,038 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2011 AED'000	2010 AED'000
At 1 January	9,038	2,988
Charge for the year (Note 22)	9,431	6,050
Amounts written off	(3,097)	-
At 31 December	15,372	9,038

The creation and release of provision for trade receivables have been included in general and administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk for trade and other receivables at the reporting date is the fair value of each class of receivable mentioned above which approximate their fair value at the reporting date. The Group does not hold any collateral as security.

11.0 CASH & CASH EQUIVALENTS

	2011 AED'000	2010 AED'000
Cash on hand	142	345
Cash at bank	42,032	118,210
	42,174	118,555

For the purposes of the cash flow statement, cash and cash equivalents comprise as follows:

	2011 AED'000	2010 AED'000
Cash and cash equivalents	42,174	118,555
Bank overdraft (Note 26)	(62,152)	-
	(19,978)	118,555

The bank overdraft carries interest rate at 3% (2010: Nil) per annum.

12.0 SHARE CAPITAL

Authorised, issued and fully paid up:

	2011 AED'000	2010 AED'000
910,000,000 shares of AED 1 each paid in cash	910,000	910,000
745,000,000 shares of AED 1 each paid in kind (i)	745,000	745,000
	1,655,000	1,655,000

(i) Assets and liabilities of Gulf Navigation Holding LLC, were transferred to Gulf Navigation Holding PJSC as an in-kind contribution for 45% share holding in the PJSC.

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13.0 STATUTORY RESERVE

As required by the UAE Federal Law No. (8) of 1984, as amended, and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances as stipulated by the law. No transfer has been made in the current year as the Company has incurred losses in the current year.

14.0 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has two interest rate swap contracts outstanding at 31 December 2011 designated as hedges of expected interest rate fluctuations. The total notional amount of the derivatives is AED 686,396 thousand (2010: AED 646,731 thousand). The terms of the contracts have been negotiated to match the terms of the loan agreements relating to specific loan tranches. The negative fair values of these contracts designated as cash flow hedges have been taken to equity and payables since these are considered to be effective cash flow hedges. During the year, the fixed interest rate relating to the interest rate swap contracts entered with certain banks was 4.495% (2010: 4.495%) and floating LIBOR rates varied from 0.25% to 0.58% (2010: 0.24% to 0.54%).

The negative fair values represent the fair value of expected future cash outflows on the hedged items.

15.0 BORROWINGS

	2011 AED'000	2010 AED'000
Current		
Borrowings	1,024,729	52,400
Borrowings of a disposal Group classified as held for sale	-	72,743
	1,024,729	125,143
Non-current		
Borrowings	-	804,418
	1,024,729	929,561

The movement of bank borrowings are summarised as below

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Term-loan IV AED'000	Total AED'000
Balance at 1 January 2011	255,176	72,021	602,364	-	929,561
Add: availed during the year	-	-	-	236,070	236,070
Less: repaid during the year	(18,145)	(72,021)	(34,503)	(16,233)	(140,902)
Balance at 31 December 2011	237,031	-	567,861	219,837	1,024,729
Average nominal interest rate	1.05%	1.05%	1.05%	3.15%	1.56%
Balance at 1 January 2010	273,321	223,744	635,405	-	1,132,470
Less: repaid during the year	(18,145)	(151,723)	(33,041)	-	(202,909)
Balance at 31 December 2010	255,176	72,021	602,364	-	929,561
Average nominal interest rate	1.05%	1.05%	1.05%	-	1.05%

Term loan I
The term-loan of AED 311,100 thousand was availed by the Group to acquire the ships amounting to AED 402,600 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 20 semi annual instalments of AED 9,150 thousand commencing from 28 January 2008 and a final instalment of AED 128,100 thousand on 28 January 2018.

Term loan II
The term loan of AED 336,263 thousand was availed by the Group to acquire the ships amounting to AED 448,350 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 27 quarterly instalments commencing from 14 March 2007. This loan was settled during the year since the ships were disposed / sold during the year.

Term loan III
The term-loan of AED 676,331 thousand was availed by the Group to acquire the ships amounting to AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 303,743 thousand on 31 March 2019.

Term loan IV
The term-loan of AED 236,070 thousand was availed by the Group to acquire the ships amounting to AED 337,295 thousand. This loan carries interest at LIBOR plus 2.8% per annum and is payable in 23 quarterly instalments commencing from 26 April 2011 and a final payment of AED 130,845 thousand on 26 January 2017.

The above bank loans are secured by the following:
- assignment of vessels mortgage;
- assignment of refund guarantee; and
- pledge of shares of subsidiaries owning these vessels.

The significant covenants for the above loans are as follows:
- the current assets at all times exceed the current liabilities;
- maintain at all times a cash and cash equivalents balance of over a certain percentage of the net debt; and
- ensure that the aggregate free market value of the vessels is over a certain percentage.

At 31 December 2011, the Group was not in compliance with a debt covenant in relation to the fair market value of the vessels and a cash covenant in relation to minimum cash balances. This non-compliance with covenants may require the Group to repay the entire borrowings amounting to AED 1,024,729 thousand on demand from the lenders. Accordingly, all borrowings were classified under current liabilities in the balance sheet. Subsequent to the year end, the Group reached an agreement with its lenders for a reset of the stated debt and cash covenants for a period from 24 November 2011 to 31 March 2013 (hence covering a period of 12 months from the approval of these consolidated financial statements) to eliminate the breach for the period (Note 2.1).

The above stated reset agreement enables the Group to rectify the breach and accordingly, the borrowings classified as current liabilities as at 31 December 2011 in these consolidated financial statements will be reclassified to non-current liabilities effective the date of the reset agreement. Further, the Group can meet its borrowing obligations as they fall due.

16.0 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2011 AED'000	2010 AED'000
Balance at 1 January	1,092	717
Charge for the year (Note 23)	515	503
Payments during the year	(429)	(128)
	1,178	1,092

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2011 and 2010, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 5% (2010: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 4.25% (2010: 5%). The present values of the obligations at 31 December 2011 and 2010 are not materially different from the provision computed in accordance with the UAE Labour Law.

17.0 TRADE & OTHER PAYABLES

	2011 AED'000	2010 AED'000
Trade payables	19,807	18,616
Dividend payable	11,628	12,506
Advance from customers	8,807	8,668
Other accruals and payables	36,943	16,290
	77,185	56,080

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18.0 RELATED PARTY TRANSACTIONS & BALANCES

Related parties include the major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions only include the management fees charged by the jointly controlled entity amounting to AED 7,228 thousand (2010: AED 7,775 thousand) for managing the Group's vessels.

Balances with related parties	2011 AED'000	2010 AED'000
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	-
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	2,677	-
Gulf Stolt Ship Management JLT (Joint venture)	-	105
	2,677	105
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management JLT (Joint venture)	2,661	-
Due to directors for directors fee	128	127
	8,703	6,041

(i) During the year ended 31 December 2011, the Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum and will be received after twelve months.

(ii) Amounts due to shareholders of Gulf Navigation LLC represents amounts payable to the shareholders of Gulf Navigation Holding LLC in respect of an amount of AED 5,914 thousand retained to cover the amounts of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represents amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

Key management remuneration	2011 AED'000	2010 AED'000
Salaries and benefits	2,255	2,114
End of service benefits	79	66
	2,334	2,180

19.0 OPERATING REVENUE

	2011 AED'000	2010 AED'000
Vessel chartering	236,518	294,986
Ship agency	17,843	15,351
Commercial agency	2,001	2,639
	256,362	312,976

20.0 VOYAGE RELATED DIRECT COSTS

	2011 AED'000	2010 AED'000
Bunkering	46,591	31,225
Port disbursement expenses	6,588	3,969
Commission on freight	4,364	8,030
Cargo related survey, hold cleaning charges, etc.	4,321	3,167
	61,864	46,391

21.0 OTHER OPERATING COSTS

	2011 AED'000	2010 AED'000
Vessel chartering:		
Ship running	87,310	113,552
Vessel depreciation	58,524	78,492
Ship repair	5,830	16,888
Dry docking write-off	455	21,491
Bareboat hire	-	18,516
Ship agency:		
Operating costs	9,778	8,537
Vessel depreciation	714	682
Commercial agency	1,609	2,238
	164,220	260,396

22.0 GENERAL & ADMINISTRATIVE EXPENSES

	2011 AED'000	2010 AED'000
Staff costs (Note 23)	13,360	10,883
Provision for impairment of trade receivables (Note 10)	9,431	6,050
Other administrative expenses	6,616	6,801
	29,407	23,734

23.0 STAFF COSTS

	2011 AED'000	2010 AED'000
Salaries and wages	10,576	9,077
Employees' end of service benefits (Note 16)	515	503
Other benefits	2,269	1,303
	13,360	10,883

24.0 EXPENSES RELATING TO ASSETS CLASSIFIED AS HELD FOR SALE / DISPOSED OF

	2011 AED'000	2010 AED'000
Write-off of inventory aboard vessels	10,099	-
Impairment loss on vessels	4,714	174,497
Brokerage expenses	4,794	-
Loss on sale of assets	1,278	-
Bunkering expenses	3,835	-
Net realisable value adjustment on non-current assets held for sale	-	36,244
	24,720	210,741

25.0 LOSS PER SHARE

	2011 AED'000	2010 AED'000
Loss for the year	(72,695)	(236,772)
Weighted average number of shares outstanding during the year (in thousands)	1,572,576	1,594,045
	(AED 0.046)	(AED 0.149)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares. The Group does not have dilutive potential ordinary shares; therefore diluted loss per share is equal to basic loss per share.

26.0 TERM DEPOSITS

	Term deposit (i) AED'000	Term deposit (ii) AED'000	Total AED'000
At 1 January 2010	-	-	-
Add: additions during the year	75,000	85,000	160,000
At 31 December 2010	75,000	85,000	160,000
Less: withdrawals during the year	-	(43,100)	(43,100)
At 31 December 2011	75,000	41,900	116,900

(i) Term deposit of AED 75,000 thousand (2010: AED 75,000 thousand) relates to a Murabaha deposit held with a bank in relation to the Group's overdraft facility. The overdraft facility expires on 31 January 2012 and the lien on the deposit will continue to be maintained until the time that the facility is in existence. As at 31 December 2011, AED 62,152 thousand (2010: Nil) has been availed by the Group as a bank overdraft (Note 11). The term deposit carries interest rate at 1.2% (2010: 3.6%) per annum.

(ii) Term deposit of AED 41,900 thousand (2010: AED 85,000 thousand) relates to a fixed deposit held with a bank in relation to the guarantee provided by the bank for additional security against the borrowings. The term deposit carries interest rate at 1% (2010: 1%) per annum.

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27.0 OPERATING LEASES AS A LESSOR

The Group leases its marine vessels under operating leases (time charters). Time charters run for periods ranging from one month to fifteen years. The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases are as follows:

	2011 AED'000	2010 AED'000
Not later than one year	148,285	110,371
Between one year and five years	409,316	406,112
Beyond five years	694,148	795,677
	1,251,749	1,312,160

28.0 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2011 AED'000	2010 AED'000
Financial assets		
Trade and other receivables (excluding advance to suppliers and prepayments)	79,917	98,467
Due from related parties	28,308	105
Term deposits	116,900	160,000
Cash and cash equivalents	42,174	118,555
	267,299	377,127
Financial liabilities		
Derivative financial liability		
Interest rate swap liability	47,804	59,062
Other financial liabilities		
Trade and other payable (excluding advance from customers and dividend payable)	56,750	34,906
Due to related parties	8,703	6,041
Bank overdraft	62,152	-
Borrowings	1,024,729	929,561
	1,152,334	970,508

29.0 COMMITMENTS

Capital expenditure contracted for at the period end date but not provided for:

	2011 AED'000	2010 AED'000
Acquisition of vessels	603,534	337,295

30.0 GUARANTEES

	2011 AED'000	2010 AED'000
Bank guarantees	41,904	86,025

The Group had bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

31.0 DIVIDEND

The Board of Directors proposed a cash dividend of AED 0.03 per share totaling AED 48,384 thousand for the year 2009, which was approved in 2010. No dividend is proposed for 2011 (2010: Nil).

32.0 COMPARATIVES

Comparative figures have been re-classified, where necessary, to conform to the current period's classification, as follows:

Term deposit of AED 75,000 thousand has been reclassified from 'Cash and cash equivalents' to 'Term deposit' as it relates to a Murabaha deposit held with a bank in relation to the Group's overdraft facility. The overdraft facility expires on 31 January 2012 and the lien on the deposit will continue to be maintained until the time that the facility is in existence. As at 31 December 2011, AED 62,152 thousand has been availed by the Group.

Term deposit of AED 85,000 thousand has been reclassified from 'Cash and cash equivalents' to 'Term deposit' as it relates to a fixed deposit held with a bank in relation to a guarantee provided by the bank.

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Gulf Navigation Holding PJSC

Jumeirah Lake Towers, Saba Tower 1,
32nd Floor, Dubai, UAE

PO Box 49651, Dubai, UAE
Tel: +971 4 427 0104 **Fax:** +971 4 427 0102
Email: investor.relations@gulfnav.com
Website: www.gulfnav.com