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Gulf Navigation Holding PJSC

2010 Annual Report

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COMPANY OVERVIEW
KEY FACTS & FIGURES

Company Overview

- Gulf Navigation Holding PJSC (GNH) and its group of companies own and operate crude, product and chemical tankers. It is the only maritime and shipping company listed on the Dubai Financial Market.
- GNH is one of the leading ship owning and marine services companies in the region and is accredited by DET NORSKE VERITAS (DNV) for both International Safety Management (ISM) and International Ship Security Certification (ISPS Code).
- GNH fleet comprises of 16 tankers including VLCC, Chemical tankers and PROBOS as well as 4 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 was listed in February 2007 and trades under the symbol 'GULFNAV'.

Key Facts & Figures

- Started operation in Dubai in 2003
- IPO Date: 24 July 2006
- Listed on DFM in Feb 2007 with market capitalization of USD 452 Million (AED 1.655 Billion)
- Ownership: 45% GCC Founders , 55% Public (up to 20% open to foreign investors)
- It is a fully integrated ship owning company
- Ship Agency operation from all ports of the UAE
- Commercial representation throughout UAE for marine manufacturers
- Headquartered in Dubai, United Arab Emirates, with an overseas office in the Kingdom of Saudi Arabia

VISION & MISSION STATEMENT

Vision & Mission Statement

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

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.
- 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

Our company is owned by the individuals and organizations from the GCC and foreigners (8%) that hold our shares. Therefore we are committed to building a sustainable business for the long term, generating shareholder value, through an ongoing profitable growth, and provide our employees with greatest employment platform in order for them to perform efficiently, and parallel to the organic growth of the company. Our aim throughout the year was to continue improving the performance of our vessels, reducing costs, bringing increased efficiency to our operating systems and strengthening our organizational resources.

In 2010 we have increased the capacity of our sophisticated chemical fleet, by adding 4 new vessels, bringing it to a total of 8 vessels, four of which are jointly owned with Stolt Nielsen, while the other four are fully owned by Gulf Navigation. On the other hand, we have invested in expanding our crude oil shipping capabilities, by adding a Very Large Crude Carrier (VLCC) "GULF EYADAH" which had joined our "GULF SHEBA" and started its time charter operations in January 2011. The step came in line with the company's expansion plan in the crude oil shipping industry, where we aim at increasing this fleet to 4 VLCCs by 2013.

We have witnessed major changes in the year 2010, which continued to be a challenging year for the marine as well as other industries. Our company took a bigger step into increasing its capabilities, and assuring bigger profitability for years to come, and this is due to the vital decisions taken by its board of directors throughout the year.

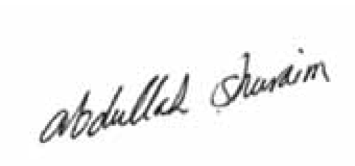
One of the major decisions was to sell our PROBO Ships. Ever since the PROBOS were bought, they have been a key contributor to our success, and generated AED 645.37 million in revenue, until 2009. The demand on this kind of ships had dramatically dropped; therefore, keeping the PROBOS into our fleet will result in future losses.

The decision to sell these ships in 2010 and their negative performance resulted in a book loss for the same year, but at the same time, we kicked off our expasion plan into the crude oil shipping and the Petrochemicals shipping industries which will affect our future results positively.

We have also placed a lot of emphasis during the year on strengthening our human resources by recruiting high caliber experienced personnel into different departments, in order to maintain and increase the level of services we are providing, to customers and shareholders.

At the end, 2011 is a prosperous year for Gulf Navigation Holding, and we believe that all the decisions we have taken throughout 2010 will help us in achieving our financial and operational objectives, and fulfilling the needs of our customer, shareholders, and employees.

Thank you



Engineer Abdullah Abdul Rahman Al Shuraim
Chairman of the board of directors

CEO STATEMENT

Dear Shareholders,

When looking back over the year 2010 some significant milestones meet the eye.

Firstly, together with our partner Stolt Nielsen, we took delivery of 4 world class IMO 2/3, 29 grades chemical carriers. These vessels were part of an original 6 vessels series. The remaining two have been canceled due to excessive delays from the Shipyard. The vessels (STOLT SISTO, STOLT FACTO, STOLT GULF MIRDIF, and STOLT GULF MISHREF) are all employed in the Stolt Joint Tanker Services and are expected to continue the positive result they have shown over the year. They have joined our 4 existing chemical carriers on long term time charter to Sabic, bringing the company's number of chemical tankers to 8, which will form a very strong base for the future.

Secondly, the acquisition of the VLCC M.T GULF EYADAH, with her subsequent charter party to a well known VLCC operator, signals our commitment made last year to grow the fleet. Now operating 2 of the largest oil tankers in the world is a good step on the road to creating a second strong base for the company. This segment is one we wish to grow.

We also took the decision to depart with our six Probos. These vessels have served us well, but with the acquisitions mentioned above, this segment will go elsewhere. Once the sale is completed the company will control one of the most modern tanker fleets in the world.

And to complete a very busy year in terms of new deliveries our agency division put 2 new crew boats into operation bringing the total number to 4. They are now both employed in this region.

Looking forward, we maintain our optimistic view for the company's long term future. Needless to say that, with a clear focus on chemical and crude oil tankers, these are also the segments that receive our most attention. Reference is made to the industry overview page. We are especially optimistic on the VLCC front, where we believe a shortage of vessels is very likely to happen within the foreseeable future.

2010 additionally saw a somewhat differentiated year in terms of second hand and new building prices. Some segments, such as the largest chemical tankers like ours, saw a modest increase where as others saw modest declines. Most importantly only few sales were reported and the fact that ship owners in general, to the largest possible extend, wish to maintain control over as much tonnage as possible, is a strong sign of optimism for our industry.

Thank you

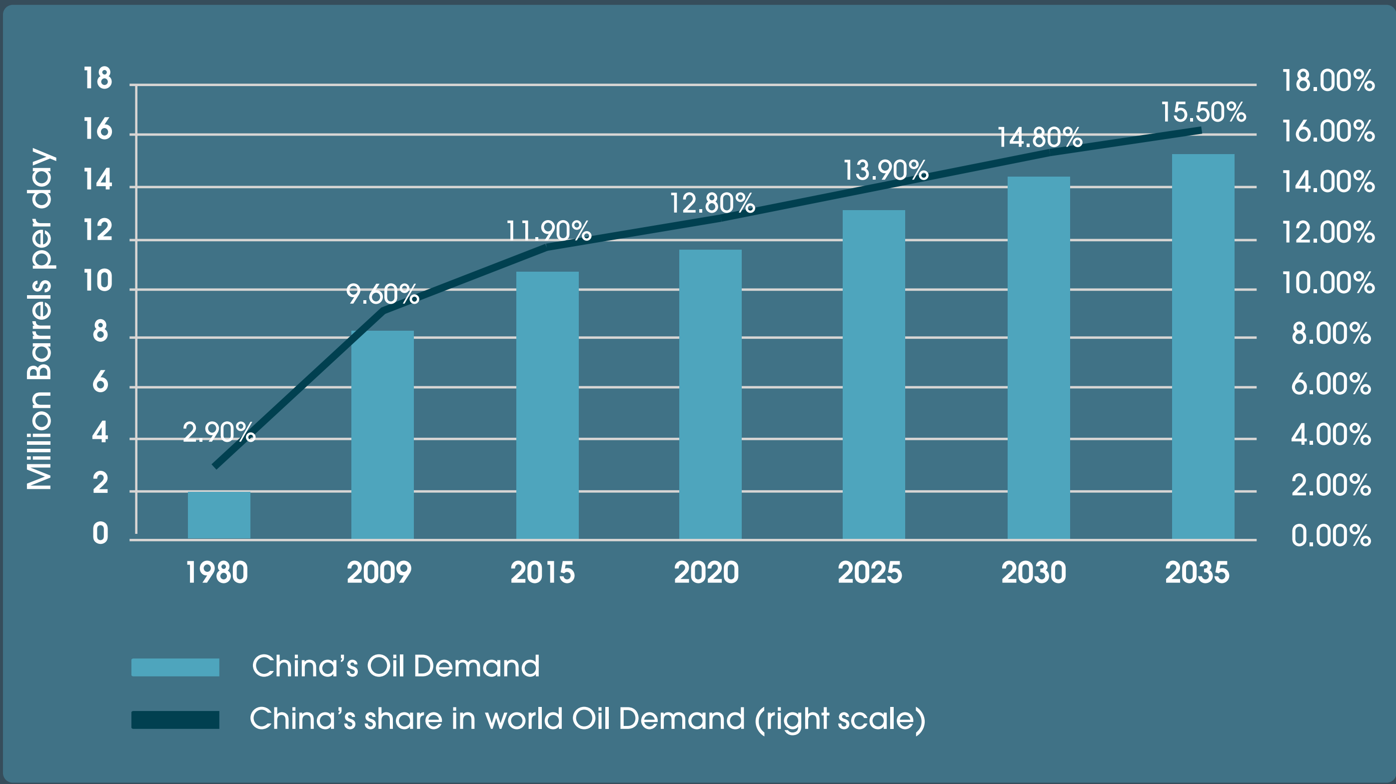
Per Wistoft Kristiansen
Chief Executive Officer

INDUSTRY OVERVIEW

Global Oil Demand (million Barrels per day)

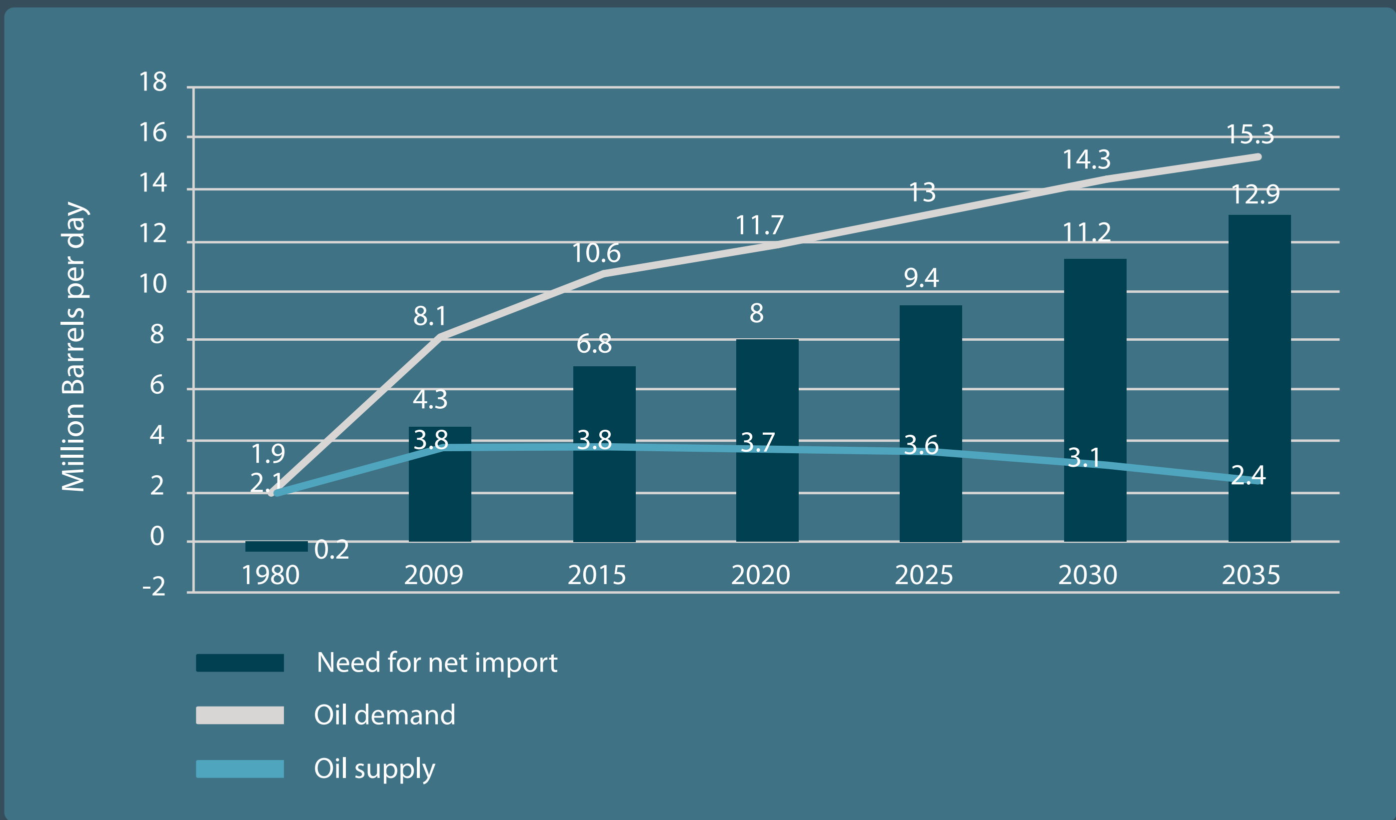
				Annual Change (%)		
	2009	2010f	2011f	2009	2010f	2011f
North America	23.3	23.85	23.87	-3.6%	2.4%	0.1%
Europe	14.49	14.37	14.28	-5.7%	-0.8%	-0.6%
Pacific	7.66	7.72	7.57	-4.7%	0.8%	-1.9%
Total OECD	**45.45**	**45.95**	**45.72**	**-4.5%**	**1.1%**	**0.5%**
China	8.37	9.25	9.70	8.0%	10.5%	4.9%
Other Asia	10	10.27	10.56	4.0%	2.7%	2.8%
Middle East	7.23	7.5	7.85	3.1%	3.7%	4.7%
Latin America	6	6.3	6.52	0.0%	5.0%	3.5%
FSU	4	4.24	4.35	-5.4%	6.0%	2.6%
Africa	3.19	3.23	3.35	0.0%	1.3%	3.7%
Europe	0.74	0.71	0.72	-2.6%	-4.1%	1.4%
Total Non. OECD	**39.53**	**41.50**	**43.05**	**2.5%**	**5.0%**	3.7%
Total OECD World	**84.98**	**87.45**	**88.77**	**-1.3%**	**2.9%**	1.5%

Chinese Oil Demand



Source: IEA

Chinese Oil Demand



Source: IEA

Changes in VLCC trades

(in terms of seaborne trade volumes)

Latin America >> USA

2008: 25 mill tons
2010e: 9 mill tons
2013f: 45 mill tons

Africa >> USA

2008: 115 mill tons
2010e: 105 mill tons
2013f: 140 mill tons

Middle-East >> Asia/Pacific

2008: 615 mill tons
2010e: 585 mill tons
2013f: 780 mill tons

Middle-East >> USA

2008: 117 mill tons
2010e: 86 mill tons
2013f: 105 mill tons

Africa >> Asia/Pacific

2008: 85 mill tons
2010e: 90 mill tons
2013f: 125 mill tons

Source: Global Insight, Maersk Brocker

FLEET OVERVIEW

Name	Type	Ownership	DWT
Mt GULF SHEBA	VLCC	Owned	MT298923
Mt GULF EYADAH	VLCC	Owned	MT298971
Mt GULF JASH	PROBO	Owned	MT47980
Mt GULF AHMADI	PROBO	Owned	MT47979
Mt GULF SAFWA	PROBO	Owned	MT48015
Mt GULF SIEB	PROBO	Owned	MT48263
Mt GULF RIYAD	PROBO	Owned	MT48015
Mt GULF SHAGRA	PROBO	Owned	MT48263
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 GST	MT41388
Mt STOLT FACTO	IMO TYPE III CHEMICAL TANKER	Owned GST	MT41388
Mt STOLT GULF MIRDIF	IMO TYPE III CHEMICAL TANKER	Owned GST	MT41388
Mt STOLT GULF MISHREF	IMO TYPE III CHEMICAL TANKER	Owned GST	MT41388
GULF DEBA	Crew Boat	Owned	
GULF DEIRA	Crew Boat	Owned	
GULF NAV1	Crew Boat	Owned	
GULF NAV2	Crew Boat	Owned	

BOARD OF DIRECTORS

ENG/Abdullah Al Shuraim

Chairman of Gulf Navigation Holding PJSC

Engineer Abdullah Al Shuraim held leading positions in major listed companies in Saudi Arabia including, chief executive officer national shipping company PJSC for 6 years from 1995 till 2001, chief executive officer national chemical carriers for 3 years from 1993 till 1995, vice chief executive Saudi Arabian public transport company PJSC 4 years from 1989 till 1993, and regional manager Saudi telecom from 1980 till 1989.

He chaired the board of directors of Gulf Navigation since inception in 2003 and chaired the board of directors of NSCSA America, Mideast ship management in Dubai, and 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 he received his BS IN Electrical Engineering 1980.

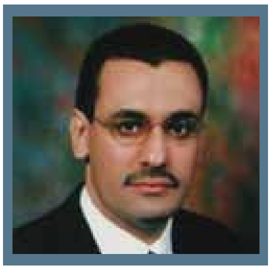
Mr. Ghazi A.Al-Ibrahim

Mr. Ghazi A. Al-Ibrahim, a Saudi National, is the Chairman of the Board & CEO of Space Investment Company. Mr. Ghazi held many 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 until 2006 and the Triangle group, He is a member of the American Bureau of Shipping (ABS) and Clean Sea Organization.

Mr. Al Ibrahim is also the Chairman of the Board of Gulf Stolt Ship Management Company, Emirates Space in Saudi Arabia and Space Theme Park India Ltd. He is founder and 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 (BS) and Sam Houston State University (MS).

Mr. Nasser Al-Kahtani



Mr. Nasser Al-Kahtani, is the Executive Director of the Arab Gulf Programme for Development – AGFUND. He holds a Master degree from the University of Miami – Florida, the United States of America, and 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 of the boards of many banks and financial institutions working in the field of microfinance in the Arab Region. He played leading roles and has bold contributions in the development and upgrading of micro, small and medium finance institutions.

Mr. Al-Kahtani is a founder member of the GULF NAVIGATION COMPANY.

Mr. Mohammad Al Muallem

Mohammad Al Muallem is currently the Senior Vice President & Managing Director of DP World, UAE Region

He holds a Bachelor of Science in Industrial Engineering Degree from the University of Portland, Oregon, U.S.A. and has completed extensive training in U.K. at the University of Manchester, Cranfield College and British Airways obtaining qualifications in Cost & Budgetary Control, Planning Maintenance and Computer Systems and Condition Based Maintenance. He also attended a Risk Management Course at the Institute of Banking & Finance in Bahrain.

Mr. Muallem joined Port Rashid In 1991 he was appointed Senior Manager Technical when Dubai Ports Authority was created with the merger of Port Rashid and Jebel Ali Port; he was then promoted to Deputy Technical Director in 1992, Technical Director in 2000, Chief Director Technical in July 2002 and Executive Director Technical & Technology in November 2003.

Mr. Muallem was appointed Chairman of the Executive Merging Team of Dubai Ports Authority, Dubai Customs and the Free Zone in 2000 and in May 2004 Executive Coordinator for the Terminal 2 Development. In September 2005 DPA and DPI Terminals merged to form DP World, Mr. Muallem was then appointed as Senior Vice President & Managing Director of DP World's UAE region.

Mr. Ali Hamdan Ahmed

Mr. Ali Hamdan has 12 years of experience in the fields of Economics, Industry, Investment and International Relations, he is holding a master's degree in business administration (MBA) from the American University of Sharjah in 2004, and obtained the master's degree in science from Pennsylvania, USA in 1998, and a bachelor of science from the University of the United Arab Emirates in 1994.

Mr. Ali Hamdan obtained several other certificates such as Investments Decisions Making from Harvard University, USA, Macroeconomic and financial policies from the International Monetary Fund in Washington, USA, and also Foreign Direct Investment from Arab Management Development Organization, Arab Republic of Egypt.

Currently he is working in the International Financial Relations Sector, as a Director of International Financial Organizations Dept at the Ministry of Finance, UAE. He is Member of the Negotiating team of the GCC Free Trade Agreements (FTA) between the GCC states and other countries, also 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 currently is Board Member of the International Trade Finance Corporation, located in Jeddah, Saudi Arabia, and Board Member of Gulf Navigation Holding PJSC in Dubai, he participates in several committees between the UAE and other countries, as well as committees within the country such as Investment Environment Development Committee and the Committee of the General Data Dissemination System for the preparation of statistics for financial and economic sectors of the state.

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

Mr. Fahad Sunetan Al Otaibi

Fahad Al Otaibi is the chairman of Arab Combined Shipping & Transport Co. which has been well established as a result of keeping with the growth of years together with professional experience in shipping & road transportation, and by handling RO-RO, B/Bulk & Chartered Vessels carrying regular commercial cargo and Government project cargo, the company was nominated as an exclusively handling agent in for many companies in Kuwait as well.

He is also one of the founders of Gulf Navigation Company and board member since 2003 and hold Bachelors of Business Administration.

Mr. Abdullah Mohammed Al Housani

Abdullah Al Housani holds a Bachelor degree in Accountancy and Economics from Al-Ain University in the United Arab of Emirates on 1987.

Mr. Abdullah Al-Housani currently is the Head of Branches & Consumer Banking Transformation -National Bank of Abu Dhabi. Formerly he occupied the position of Head of Consumer Banking Transformation at NBAD, as well as occupied the position of Project Manager, Consumer Banking Transformation Office at NBAD, and formerly he worked as Area Manager of Abu Dhabi National Bank, main branch.

Formerly he occupied many places where he served as a Deputy General Manger of Salem CO. Ltd., General Manger of Al Sahel Shares Center, Manager of Abu Dhabi National Bank in the main branch, Manager of Abu Dhabi National Bank Sheikh Rashid read branch , Manager of First Gulf Bank Ajman branch, Manager of Dubai Commercial Bank Ajman branch , Assistant Manager of Commercial Bank Dubai branch Deira, and Operation Supervisor of Oman Bank (currently Mashreq Bank) Ajman branch, and he started his banking career since more than twenty years as In-Charge of Loans department in Mashreq Bank.

ENG/ Rashid Al Shamsi

Engineer Rashid Al Shamsi has actively been working in the marketing and distribution of petroleum products for over 22 years. In 1992 he was appointed as deputy general manager (sales & marketing) in Emarat and in 2002 he was appointed as the general manager of Emirates General Petroleum Corporation in Dubai, United Arab Emirates, as well as he worked as CEO of Sama Dubai real estate Company.

At present he is the Vice Chairman of Dubai Financial Market, and Board Director of Nasdaq Dubai securities exchange, as well as Board Director of Emirates Transport, and Board Director of Gulf Navigation Holding PJSC. He was Member of the Board of Directors of Dubai Chamber of Commerce and Industry (1991-1997), and was 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.

Abdulrahman Al Saleh,

His Excellency Abdulrahman Al Saleh is the Director General of the Department Of Finance of the Emirate of Dubai. He is also the Chairman of the Board of Directors of Dubai Financial Support Fund.

Prior to joining DOF, Mr. Al Saleh spent four years as the Senior Executive Director for Corporate Affairs in Dubai Customs (DC). In this role, he was responsible for managing the support departments for DC, which includes Finance, HR Management, HR Development and Admin Services. He chaired a number of committees in DC such as introduction of Value Added Tax in Dubai, Employee Affairs Committee, Executive Credit Policy Committee, Reform and Modernization Program Committee and was a Member of Information Technology Steering Committee.

Prior to this, Mr. Al Saleh held numerous Finance and Accounting positions for government departments on a local and federal level. He gained experience in chairing and participating in various organizational and strategic committees including the Executive Credit Policy Committee and Task Force for Indirect Taxation.

Mr. Al Saleh is a member of Supreme Fiscal Committee and also a Board Member of Dubai Real Estate Corporation, Dubai World, Gulf Navigation Holding PJSC and the Chairman of Taleem PJSC. He was member of the High Committee for the Regulation of the Audit Profession in UAE (2002 - 2006). He is qualified Chartered Management Accountant in the UK, and holds an Executive MBA from the American University of Sharjah.

Mr. Anees Issa

Mr. Anees Issa is one of the major founders of Gulf Navigation Holding and chief partner in Cyclone LLC, Sultanate of Oman.

Mr. Anees is also Managing Director of National Publishing and Advertising, Media Phone Co. LLC, Quriyat Aquaculture Co. LLC and Muscat Press and Publishing House. Additionally, he is the Vice-president in Oriental Pharmacy. Mr. Anees holds a degree in International Relations from the Webster University, USA.

Corporate Governance and Committees

Gulf Navigation Holding PJSC has adopted and implemented the corporate governance rules as one of the initiative and committed companies in UAE and it has been honored by the Emirates Securities and Commodities Authority (ESCA) for the paid efforts in this field. Adopting and implementing the corporate governance framework is a result of the consciousness and awareness of top management in the company for positive impact to execute the business plans within a clear, correct and highly credible framework. The adopted corporate governance framework clearly demonstrates the roles of the board of directors and its committees, as well as the relationship between the board of directors and the executive management, whilst the board delegates the roles and authorities to executive management under certain specific constraints.

The CEO implements the board strategies along with a reviewed, discussed and approved annual plans whereby it includes the work strategies, financial decisions, and business plans that effect or control the company performance.

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, monitoring actions, decisions and performance of the executive management.

Currently, the committee has three members; Mr. Ghazi Al-Ibrahim is the Chairman of the committee, Mr. Nasser Al-Qahtani and Mr. Mohammed Al-Muallem.

2. Audit Committee

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

The committee has four members. They are independent and non executive board directors. Mr. Abdullah Al-Housani is the Chairman of the committee; Mr. Mohammed Al-Muallem, Mr. Rashid Al-Shamsi, and 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.

The Board and its Committees

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 to ensure the compliance with Laws, Policies & Procedures, and the requirements of DFM and ESCA. Recently, the ICD is headed by Mr. Sami Abu-Zineh.

Code of Conduct

Gulf Navigation Holding PJSC, characterized 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

Aim of this policy is to report and escalate the contraventions, and resolve them in the light of achieving the GNH's interest and objectives.

FINANCIAL HIGHLIGHTS 2008 - 2010

	2010	2009	2008
	AED'000	AED'000	AED'000
Revenue	**312,976**	338,163	395,931
Operating Profit (EBIDA)	**103,100**	147,182	219,893
Net Profit For the year	**(236,772)**	26,546	148,226
Net Cash generated from operations	**110,687**	44,511	196,395
Capital Expenditure	**26,114**	169,564	479,661
Basic & diluted EPS	**(AED 0.149)**	AED 0.016	AED 0.09

Board of Directors Report

The Board of Directors of Gulf Navigation Holding PJSC and subsidiaries (the Group) has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the 12 month period ended 31 December, 2010. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held on 21 April 2011.

Principal activity

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.

Financial Result

The Group has made a net loss of AED 236.77 Million in 2010.

The shareholders funds as at 31 December 2010 amount to AED 1.35 billion.

Directors:

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. Abdul Rahman Al Saleh	(Director)
Mr. Abdullah Al Housani	(Director)
Mr. Ali Hamdan Ahmed	(Director)
Mr. Mohamed Yousef Al Muallem	(Director)

Abdullah Al-Shuraim
Chairman

abdullah Shuraim

Dubai
Date: 10th Feb 2011
Directors' Report

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

Independent Auditors' Report

The Shareholders
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"), its subsidiaries (collectively referred to as "the Group") and its interest in jointly controlled entity, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income (comprising a separate consolidated income statement and consolidated statement of comprehensive income), the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The corresponding figures presented are based on consolidated financial statements of the Group as at and for the year ended 31 December 2009.

Management's responsibility for the financial statements

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

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 whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all the information and explanations necessary for our audit, that proper financial records have been kept by the Company, that a physical count of inventories was carried out by Management in accordance with established principles, and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2010, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

Vijendranath Malhotra
(Registration No. B 48)
Date: 10 February 2011
Dubai, United Arab Emirates.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	**2010 AED'000**	2009 AED'000
Operating revenue	5	**312,976**	338,163
Voyage related direct costs	6	**(46,391)**	(46,702)
Net operating revenue		**266,585**	291,461
Operating costs	7	**(260,396)**	(230,947)
Gross profit		**6,189**	60,514
Finance income	9	**33,674**	28,769
Finance costs		**(43,483)**	(47,349)
Share of loss in jointly controlled entities	25	**(372)**	(1,659)
Administrative expenses	10	**(23,734)**	(22,964)
Reversal of provision (net)	15	**-**	7,413
Other income	8	**1,695**	1,822
Impairment loss on vessels	11	**(174,497)**	-
Net realisable value adjustment on non-current assets held for sale	14	**(36,244)**	-
(Loss)/ profit for the year		**(236,772)**	26,546

Earnings per share			
Basic and diluted	28	**(AED 0.149)**	AED 0.016

The notes on pages 35 to 67 form part of these consolidated financial statements.

The independent auditors' report is set out on page 28.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 AED'000	2009 AED'000
(Loss)/ profit for the year	**(236,772)**	26,546
Other comprehensive income		
Net movement in fair value of cash flow hedges	**(1,471)**	23,367
Directors' fee	**-**	(4,910)
Other comprehensive (loss)/ income for the year	**(1,471)**	18,457
Total comprehensive (loss)/ income for the year	**(238,243)**	45,003

The notes on pages 35 to 67 form part of these consolidated financial statements.

The independent auditors' report is set out on page 28.

GULF NAVIGATION HOLDING PJSC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	2010 AED'000	2009 AED'000
Assets			
Non-current assets			
Vessels and equipment	11	**1,169,804**	1,838,628
Goodwill	12	**518,550**	554,794
Investments in jointly controlled entities	25	**139,027**	-
Long term trade receivable	15	**29,907**	-
		1,857,288	2,393,422
Current assets			
Inventories	13	**18,419**	31,155
Trade and other receivables	15	**80,075**	103,076
Cash in hand and at bank	16	**278,555**	406,792
Assets classified as held for sale	14	**175,681**	-
		552,730	541,023
Total assets		**2,410,018**	2,934,445
Equity and liabilities			
Equity			
Share capital	17	**1,655,000**	1,655,000
Statutory reserve	18	**31,546**	31,546
Retained earnings		**(230,807)**	54,349
Reserve for own shares	19	**(46,706)**	-
		1,409,033	1,740,895
Cumulative change in the fair value of cash flow hedges	21	**(59,062)**	(57,591)
Total equity		**1,349,971**	1,683,304
Non-current liabilities			
Term loans	22	**804,418**	1,015,413
Employees' end of service benefits	23	**1,092**	717
		805,510	1,016,130
Current liabilities			
Fair value of interest rate swaps	21	**59,062**	57,591
Current portion of term loans	22	**125,143**	117,057
Accounts payable and accruals	24	**54,223**	50,797
Amounts due to related parties	26	**16,109**	9,566
		254,537	235,011
Total liabilities		**1,060,047**	1,251,141
Total equity and liabilities		**2,410,018**	2,934,445

The notes on pages 35 to 67 form part of these consolidated financial statements.
The consolidated financial statements were approved and authorized for issue by the Board of Directors on 10 February 2011 and signed on its behalf by:

Abdullah Al-Shuraim

Abdullah Al-Shuraim
Chairman

The independent auditors' report is set out on page 28.

	Note	2010 AED'000	2009 AED'000
Operating activities			
(Loss)/ profit for the year		**(236,772)**	26,546
Adjustments for:			
Depreciation	11	**112,407**	100,003
Impairment loss on vessels	11	**174,497**	-
Net realisable value adjustment on non-current assets held for sale	12	**36,244**	-
Allowance for impairment of receivables	15	**6,050**	-
Share of loss in jointly controlled entities	25	**372**	1,659
Provision for employees' end of service benefits	23	**503**	394
Profit on sale of vessels and equipment		**(10)**	-
Finance income	9	**(33,674)**	(28,769)
Finance costs		**43,483**	47,349
Operating profit before working capital changes		**103,100**	147,182
Change in inventories	13	**12,736**	(23,001)
Change in trade and other receivable	15	**(12,956)**	(46,402)
Change in accounts payable and accruals	24	**7,935**	(27,868)
Directors fees paid		**-**	(4,910)
Employees' end of service benefits paid	23	**(128)**	(490)
Net cash from operating activities		**110,687**	44,511
Investing activities			
Purchase of vessels and equipment	11	**(26,114)**	(169,564)
Proceeds from disposal of vessels and equipment		**929**	231
Refund received on cancellation of construction of vessels	11	**231,434**	-
Investment in jointly controlled entities	25	**(139,399)**	(200)
Interest received	9	**33,674**	28,769
Repurchase of own shares		**(46,706)**	-
Net cash generated from /(used in) investing activities		**53,818**	(140,764)
Financing activities			
Receipt of term loans		**-**	70,999
Repayment of term loans		**(202,909)**	(112,637)
Dividends paid		**(46,350)**	(39,178)
Interest paid		**(43,483)**	(47,349)
Net cash used in financing activities		**(292,742)**	(128,165)
Decrease in cash and cash equivalents		**(128,237)**	(224,418)
Cash and cash equivalents at the beginning of year		**406,792**	631,210
Cash and cash equivalents at end of the year	16	**278,555**	406,792

The notes on pages 35 to 67 form part of these consolidated financial statements.

GULF NAVIGATION HOLDING PJSC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital AED'000	Statutory reserve AED'000	Cumulative change in fair value of cash flow hedge AED'000	Reserve for own shares AED'000	Retained earnings AED'000	TOTAL AED'000
Balance at 1 January 2009	1,655,000	28,891	(80,958)	-	85,018	1,687,951
Total comprehensive income for the year	-	-	23,367	-	21,636	45,003
Transfer to statutory reserve	-	2,655	-	-	(2,655)	-
Transactions with the owners of the Group, recognised directly in equity						
Dividend for 2008 declared	-	-	-	-	(49,650)	(49,650)
Balance at 31 December 2009	1,655,000	31,546	(57,591)	-	54,349	1,683,304
Balance at 1 January 2010	1,655,000	31,546	(57,591)	-	54,349	1,683,304
Total comprehensive expense for the year	-	-	(1,471)	-	(236,772)	(238,243)
Transactions with the owners of the Group, recognised directly in equity						
Own shares purchased	-	-	-	(46,706)	-	(46,706)
Dividend for 2009 declared	-	-	-	-	(48,384)	(48,384)
Balance at 31 December 2010	**1,655,000**	**31,546**	**(59,062)**	**(46,706)**	**(230,807)**	**1,349,971**

The notes on pages 35 to 67 form part of these consolidated financial statements.

GULF NAVIGATION HOLDING PJSC NOTES

(forming part of the consolidated financial statements)

1.Reporting entity

Gulf Navigation Holding PJSC ("the Company" or "the Parent 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 is operated from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates. During the year the Company registered a branch in the Kingdom of Saudi Arabia. The operations of the branch are included in the books of the Parent company.

These consolidated financial statements as at and for the year ended 31 December 2010 comprise the Company and its following directly or indirectly wholly owned subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in jointly controlled entities.

Subsidiaries	**Country of incorporation**	**% of shareholding 2010**	**% of shareholding 2009**
Gulf Navigation Group FZCO	United Arab Emirates	100%	100%
Gulf Navigation Ship Management	United Arab Emirates	100%	100%
Gulf Ship FZE	United Arab Emirates	100%	100%
Gulf Crude Carriers LLC	United Arab Emirates	100%	100%
Gulf Chemical Carriers LLC	United Arab Emirates	100%	100%
Lam Gulf Maritime Co. LLC	United Arab Emirates	100%	100%
Gulf Navigation and Brokerage. LLC	Oman	100%	100%
Gulf Huwaylat Corporation	Panama	100%	100%
Gulf Deffi Corporation	Panama	100%	100%
Gulf Jalmuda Corporation	Panama	100%	100%
Gulf Fanatir Corporation	Panama	100%	100%
Gulf Ahmadi Shipping Inc	Marshal Islands	100%	100%
Gulf Jash Shipping Inc	Panama	100%	100%
Gulf Mishref Shipping Inc	Marshal Islands	100%	100%
Gulf Mizwar Shipping Inc	Marshal Islands	100%	100%
Gulf Shagra Shipping Inc	Marshal Islands	100%	100%
Gulf Sieb Shipping Inc	Panama	100%	100%
Gulf Riyad Shipping Inc	Marshal Islands	100%	100%
Gulf Safwa Shipping Inc	Marshal Islands	100%	100%
Gulf Sheba Shipping Limited	Hong Kong	100%	100%
Gulf Navigation Agencies LLC *	Kingdom of Saudi Arabia	-	-

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

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

* Although the Group does not hold any shares in the entity, the entity is controlled by the Group.

2.Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the UAE Federal Law No. 8 of 1984 (as amended).

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention basis, except for derivative financial instruments which are measured at fair value.

Functional and presentation currency

The functional currency of the Group is United States Dollars ("USD"). However, the consolidated financial statements are presented in United Arab Emirates Dirhams ("AED") being the domicile currency. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 for all years presented since AED is pegged to USD.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that may have a material effect on the amounts recognized in the financial statements are described in note 33.

3.Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been amended when necessary to align them with the policies adopted by the Group.

Investments in jointly controlled entities (equity accounted investees)

Joint ventures are those entities over whose activities 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 for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee (refer note 25).

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue Recognition

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

Revenue associated with a voyage is recognised by reference to the stage of completion of the voyage at the balance sheet date.

Ship 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.

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Capital work in progress is not depreciated. Capital work-in progress is recorded at cost. Allocated costs directly attributable to the construction of the asset are capitalised. The capital work in progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned for use.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of vessels and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

New vessels	25 years
Used vessels	11-12 years
Leasehold improvements	10 years
Building	30 years
Plant and equipment	2-5 years
Furniture and fixtures	5 years
Vehicles	5 years
Dry docking costs	2-4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Vessels and equipment (Continued)

Expenditure incurred to replace a component of an item of vessels and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of vessels and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other income' in the income statement in the period the asset is derecognised.

Goodwill

Goodwill is initially measured at cost being the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Finance costs

Finance costs comprise interest expense on borrowings. In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Inventories

Inventories, comprising of spares and consumables, are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing inventories to their present location and condition on a first-in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred on disposal.

Financial instruments

Non-derivative financial assets

The Group initially recognises its non-derivative financial assets which are loans and receivables and deposits on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group has only one category of non-derivative financial asset: loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Subsequent to initial recognition the financial assets are recognized at amortised cost.

Non-derivative financial liabilities

The Group initially recognises its financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively and the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency gains and losses are reported on a net basis.

Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Committee (EC) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the EC include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories or financial assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Vessels and equipment once classified as held for sale or distribution are not depreciated.

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. he group dose not plan to adopt this standard early and the extent of the impact has not been determined.

4.Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/ or disclosure purposes and the method used to determine these fair values have been mentioned in note 32.

5.Operating revenue

	2010	2009
	AED'000	AED'000
Vessel chartering	**294,986**	324,570
Ship agency	**15,351**	10,562
Commercial agency	**2,639**	3,031
	312,976	338,163

6.Voyage related direct costs

	2010	2009
	AED'000	AED'000
Commission on freight	**8,030**	7,843
Bunkering	**31,225**	30,404
Port disbursement expenses	**3,969**	8,338
Cargo related survey, hold cleaning charges etc	**3,167**	117
	46,391	46,702

7.Operating costs

	2010	2009
	AED'000	AED'000
Vessel owning		
Ship running	**113,552**	99,212
Vessel depreciation	**78,492**	76,225
Bareboat hire	**18,516**	23,144
Dry docking write off	**21,491**	18,011
Ship repair	**16,888**	5,345
Ship agency		
Operating cost	**8,537**	5,840
Vessel depreciation	**682**	534
Commercial agency	**2,238**	2,636
	260,396	230,947

8.Other income

	2010	2009
	AED'000	AED'000
Commercial products sales income	**663**	715
Office rent	**726**	459
Miscellaneous income	**306**	648
	1,695	1,822

9.Finance income

	2010	2009
	AED'000	AED'000
Finance income (i)	**9,515**	28,536
Other finance income (ii)	**24,159**	233
	33,674	28,769

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

(ii) It includes finance income of AED 24,078 thousand received from a ship yard due to the cancellation of the construction of two vessels (refer note 11).

10.Administrative expenses

	2010	2009
	AED'000	AED'000
Staff salaries and benefits	**10,883**	13,550
Allowance for impairment of receivables	**6,039**	-
Other administrative expenses	**6,812**	9,414
	23,734	22,964

11. Vessels and equipment

	Note	Vessels	Building	Leasehold improvements	Equipment	Furniture & fixtures	Vehicles	Capital work in progress	Total
		AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	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	14	(541,083)	-	-	-	-	-	-	(541,083)
Disposals		(913)	-	-	(23)	-	-	(231,434)	(232,370)
At 31 December 2010		1,298,981	8,885	2,385	1,231	262	491	-	1,312,235
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		174,497	-	-	-	-	-	-	174,497
Reclassification of assets held for sale	14	(365,402)	-	-	-	-	-	-	(365,402)
Relating to disposals		-	-	-	(17)	-	-	-	(17)
At 31 December 2010		138,551	1,152	1,398	836	212	282	-	142,431
Net book value									
At 31 December 2010		**1,160,430**	**7,733**	**987**	**395**	**50**	**209**	**-**	**1,169,804**

11. Vessels and equipment (continued)

	Vessels	Building	Leasehold improvements	Equipment	Furniture & fixtures	Vehicles	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost:								
At 1 January 2009	1,347,815	8,885	2,342	1,143	344	347	529,499	1,890,375
Additions	38,749	-	28	293	39	-	130,455	169,564
Transfers	427,193	-	-	-	-	-	(427,193)	-
Disposals	-	-	-	(238)	(127)	-	-	(365)
At 31 December 2009	1,813,757	8,885	2,370	1,198	256	347	232,761	2,059,574
Depreciation:								
At 1 January 2009	119,034	560	708	484	175	116	-	121,077
Charge for the year	98,997	296	342	237	57	74	-	100,003
Relating to disposals	-	-	-	(86)	(48)	-	-	(134)
At 31 December 2009	218,031	856	1,050	635	184	190	-	220,946
Net book value								
At 31 December 2009	1,595,726	8,029	1,320	563	72	157	232,761	1,838,628

The amount of borrowing costs capitalised with capital work in progress during the year is AED 289 thousand (2009: AED 4,454 thousand).

Vessels having net book value of AED 1,455,062 thousand (2009: AED 1,533,555 thousand) are mortgaged as security for term loan (Note 22).

11. Vessels and equipment (continued)

The depreciation charge has been allocated in the income statement as follows:

	2010	2009
	AED'000	AED'000
Operating costs	**79,174**	76,759
Administrative expenses	**986**	1,007
	80,160	77,766

12. Goodwill

	2010	2009
	AED'000	AED'000
Goodwill	**554,794**	554,794
Transferred to non-current assets held for sale (refer note 14)	**(36,244)**	-
	518,550	554,794

The carrying amount of the goodwill represents the excess of the fair value of the Company on conversion from LLC to PJSC over the fair value of net identifiable assets acquired, less impairment loss on goodwill. The goodwill has been allocated to the vessel owning and charter segment of the business. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a twenty five year period. The discount rate applied to cash flow projections is 6.5% (2009: 6.5%).

Key assumptions used in value in use calculations are:
Gross Margin
Gross margin is based on the current level of activity and the anticipated impact of new vessels which have been contracted for joining the Group.
Discount rates
This reflects management's benchmark for evaluating investment proposals (i.e. hurdle rate). Regard has been given to yield on bank deposits.

13.Inventories

	2010 AED'000	2009 AED'000
Spare parts	**10,527**	21,481
Vessel oil and lubricants	**4,947**	5,818
Fuel	**2,157**	3,181
Others	**788**	675
	18,419	31,155

14.Non-current assets held for sale

Certain vessels within the chartering business segment are presented as non-current assets held for sale following a decision by the Group's Board of Directors on 6 December 2010 to sell these vessels. Efforts to sell the vessels have commenced and the sale is expected to materialize during 2011. At 31 December 2010, the non-current assets held for sale represents the fair value as determined by an external expert, reduced by the estimated cost to sell these assets.

In accordance with International Financial Reporting Standards, the net book value of these vessels (after impairment) amounting to AED 175,681 thousand, along with an allocated portion of goodwill amounting to AED 36,244 thousand is transferred to the non-current assets held for sale. The balance is carried at net realisable value and resulting loss amounting to AED 36,244 thousand is recorded in the consolidated income statement.

15.Trade and other receivables – long term and current

	2010 AED'000	2009 AED'000
Long term trade receivables (refer (i) below)	**29,907**	-
Current portion of trade and other receivables		
Trade accounts receivable	**37,258**	59,155
Accrued finance income	**407**	2,755
Awards receivable	**5,914**	5,914
Advances to suppliers	**1,036**	2,786
Prepaid expenses	**14,818**	18,947
Other receivables (refer (ii) below)	**20,642**	13,519
	80,075	103,076

(i) The amount of AED 32,652 thousand represents the trade receivable from the Estate of Atlas Shipping A/S, and based on the advice of the lawyer, management is confident of the recovery of this amount (also refer note 30). This receivable is stated at its net present value, net off discount amounting to AED 2,745 thousand and is classified as long term trade receivable which is expected to be received by 31 December 2012.

(ii) It includes AED 13,790 thousand (2009 : AED 4,101 thousand) in respect of the outstanding claim against a customer under an agreement entered into by the Company and the customer that they will pay any differences between the freight rates as per the time charter cancelled by the customer and the current rates which the Company obtains till 30 June 2010.

As at 31 December 2010, trade receivables at nominal value of AED 9,038 thousand (2009: AED 2,988 thousand) were impaired. Movements in the allowance for impairment of receivables are as follows:

	2010	2009
	AED'000	AED'000
At 1 January	**2,988**	8,581
Charge for the year	**6,050**	9
Reclassified from accrued expenses	**-**	3,051
Amounts reversed from provisions	**-**	(7,422)
Amounts written off	**-**	(1,231)
At 31 December	**9,038**	2,988

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired				
	Total	*Neither past due nor impaired*	*<30 days*	*30-60 days*	*60-90 days*	*90-120 days*	*>120 days*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
2010	**67,165**	**2,745**	**4,641**	**7,541**	**4,574**	**3,272**	**44,392**
2009	59,155	9,308	9,541	1,686	3,990	2,825	31,805

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

Awards receivable represents amounts awarded by the arbitrators for claims filed by formerly Gulf Navigation Holding LLC against certain third parties. Management believe that the amounts of claims awarded by arbitrators will ultimately be recovered. 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 (Note 26).

16.Cash and cash equivalents

	2010 AED'000	2009 AED'000
Bank balances and cash	**278,555**	406,792
	278,555	406,792

Included in cash and cash equivalent are bank deposits of AED 53,986 thousand (2009:AED 352,346 thousand) maturing within three months of the balance sheet date. All the deposits are maintained with local banks, are denominated in UAE Dirhams and carry profit at an average rate of 3 % (2009 : 4.5%) per annum. The Group's cash is placed with banks of good repute.

17.Share capital

Authorised, issued and fully paid

	2010 AED'000	2009 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	**745,000**	745,000
	1,655,000	1,655,000

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

18.Statutory reserve

As required by the Commercial Companies Law and the Company›s Articles of Association, 10% of the profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of 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 Group has incurred losses in the current year.

19.Dividends and share buy back

During the year , the Company purchased 82,424,083 own shares (2009 : Nil) for a consideration of AED 46,706 thousand. In 2009, dividends of AED 0.03 per share totalling AED 49,650 thousand relating to 2008 were approved and paid. The Board of Directors had proposed cash dividend of AED 0.03 per share totalling AED 49,650 thousand for the year 2009, which were approved and paid in 2010.

20.Directors' fees

During 2009, directors fees of AED 4,910 thousand relating to 2008 were approved and paid.

21.Derivative financial instruments

The Group has two interest rate swap contracts outstanding at 31 December 2010 designated as hedges of expected interest rate fluctuations. The total notional amount of the derivatives is AED 646,731 thousand (2009; AED 713,343 thousand) both maturing in December 2013. 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 by the management.

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

22.Term loans

	2010	2009
	AED'000	AED'000
Current portion of long-term loan	**125,143**	117,057
Non-current portion of long-term loan	**804,418**	1,015,413
	929,561	1,132,470

The movement long-term bank loans are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED AED'000
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**
Balance at 1 January 2009	291,621	289,624	592,863	1,174,108
Add: availed during the year	-	-	70,999	70,999
Less: repaid during the year	(18,300)	(65,880)	(28,457)	(112,637)
Balance at 31 December 2009	273,321	223,744	635,405	1,132,470

(i) Term loan I

The term-loan of AED 311,100 thousand is availed by the Group for the acquiring 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 Jan 2008 and a final instalment of AED 128,100 thousand.

(ii) Term loan II – Tranche A

The term loan of AED 336,263 thousand is availed by the Group for the acquiring 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.

Term loan II –Tranche B

The term-loan of AED 86,083 thousand is availed by the Group for the acquiring ships amounting to AED 430,416 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 27 quarterly instalments and final payment of AED 193,358 thousand beginning after three months of the delivery of the vessel. Since the Group has cancelled the construction of the particular vessels owing to the delay in delivery of vessels by yard, refunded the availed amount of AED 86,083 thousand during the year.

(iii) Term loan III

The term-loan of AED 676,331 thousand is availed by the Group for the acquiring 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.

The above bank loans are secured by the following:
- assignment of vessels mortgage.
- assignment of vessels building contract from ship yard
- assignment of refund guarantee
- 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.

23.Employees' end of service benefits

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

	2010	2009
	AED'000	AED'000
Balance at 1 January	**717**	813
Provided during the year	**503**	394
End of service benefits paid	**(128)**	(490)
Balance at 31 December	**1,092**	717

An actuarial valuation has not been performed as in the view of management the net impact of discount rates and future increases in benefits is not likely to be material.

24.Accounts payable and accruals

	2010	2009
	AED'000	AED'000
Trade payables	**8,443**	9,695
Accrued expenses	**24,606**	14,030
Advances from customers	**8,668**	15,141
Provision for share of loss in a jointly controlled entity (refer note 25)	**-**	1,459
Dividend Payable	**12,506**	10,472
	54,223	50,797

25.Investment in jointly controlled entities

	2010 AED'000	2009 AED'000
As at 1 January	-	-
Investments during the year (Refer note (i) below)	**139,399**	200
Share in losses of jointly control entities	**(372)**	(1,659)
Provision for share of loss in a jointly controlled entity	-	1,459
As at 31 December	**139,027**	-

(i) The investments made during the year are net off the provision for the share in loss for 2009 amounting to AED 1,459 thousand.

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

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

	Gulf Stolt Ship Management JLT		*Gulf Stolt Tankers DMCCO*	
	2010 AED'000	2009 AED'000	**2010 AED'000**	2009 AED'000
Current assets	**200**	1,866	**44,443**	-
Non-current assets	**3,844**	683	**685,332**	-
Current liabilities	**(1,755)**	(1,878)	**(7,690)**	-
Non-current liabilities	-	(1,931)	**(447,383)**	-
Net assets/(liabilities)	**2,289**	(1,260)	**274,702**	-
Revenue	**10,044**	4,021	**48,685**	-
Expenses	**(9,039)**	(5,680)	**(51,187)**	-
Profit/ (loss) for the year	**1,005**	(1,659)	**(2,502)**	-

In accordance with the joint venture agreement, the total loss for the period ended 31 December 2009 is attributed to the Group since the joint venture partner had not contributed any assets to the jointly controlled entity in 2009. Accordingly the Group has recognized the entire loss for the period ending 31 December 2009.

26.Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Significant related party transactions only include the management fees charged by the jointly controlled entity amounting to AED 7,775 thousand (2009: AED 3,953 thousand) for managing the Group's vessels.

The outstanding balances of the due to related parties as at year-end are given below:

	2010	2009
	AED'000	AED'000
Shareholders of Gulf Navigation LLC (refer (i) below)	**5,914**	5,914
Gulf Stolt Ship Management JLT	**10,068**	3,504
Due to directors for directors' fee	**127**	148
	16,109	9,566

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 (refer to note 15). Awards receivables of AED 5,914 thousand included in trade receivables, represents amounts awarded by the arbitrators for claims filed by formerly 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.

Compensation of key management personnel

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

	2010	2009
	AED'000	AED'000
Short-term benefits	**2,114**	1,948
Employees end of service benefits	**66**	59
	2,180	2,007

27.Operating segments

Business segments

The Group comprises the following main business segments:

- Vessel owning & chartering: The chartering of the vessels to the customers.
- *Commercial:* The trading of goods such as supplies, chemicals, gases required for ships.
- *Agency:* Providing agency services to the ships calling at the ports.
- *Other:* Includes management of all the divisions and administrative activities, including ship management services. During the current year, the ship management operation has been classified here as well since the operations are very limited.

Geographical segments

The 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.

Information about reportable segments (All figures in AED'000)

	Vessel owning & chartering	Commercial	Agency	Other	Inter-segment elimination	Total	Vessel owning & chartering	Commercial	Agency	Other	Inter-segment elimination	Total
			For the year 2010						For the year 2009			
Operating revenue	**294,986**	**2,639**	**15,351**	**-**	**-**	**312,976**	324,570	3,031	10,562	2,811	(2,811)	338,163
Finance income	**38**	**-**	**1**	**33,635**	**-**	**33,674**	120	-	1	28,648	-	28,769
Other income	**274**	**664**	**28**	**729**	**-**	**1,695**	7,772	723	49	700	-	9,244
Operating costs	**(295,369)**	**(2,238)**	**(9,232)**	**-**	**52**	**(306,787)**	(271,181)	(2,636)	(6,418)	-	2,586	(277,649)
Finance costs	**(42,423)**	**(16)**	**(22)**	**(1,022)**	**-**	**(43,483)**	(46,736)	(22)	(22)	(569)	-	(47,349)
Depreciation	**(11)**	**(44)**	**(193)**	**(737)**	**-**	**(985)**	(10)	(35)	(193)	(769)	-	(1,007)
Impairment loss	**(210,741)**	**-**	**-**	**-**	**-**	**(210,741)**	-	-	-	-	-	-
Other administrative expenses	**(2,745)**	**(945)**	**(3,564)**	**(15,867)**	**-**	**(23,121)**	-	(930)	(3,938)	(18,757)	-	(23,625)
Reportable segment profit	**(255,991)**	**60**	**2,369**	**16,738**	**52**	**(236,772)**	14,535	131	41	12,064	(225)	26,546
			For the year 2010						For the year 2009			
Reportable segment assets	**3,702,212**	**9,333**	**39,926**	**3,376,697**	**(4,718,150)**	**2,410,018**	3,177,164	9,756	30,464	2,706,968	(2,989,907)	2,934,445
Reportable segment liabilities	**3,917,056**	**10,053**	**23,599**	**1,684,808**	**(4,575,469)**	**1,060,047**	3,157,727	10,404	16,464	961,520	(2,894,974)	1,251,141

28.Earnings per share

	2010 AED'000	2009 AED'000
(Loss)/ profit for the year	**(236,772)**	26,546
Weighted average number of shares outstanding during the year (In thousands)	**1,594,045**	1,655,000
Basic and diluted (loss)/earnings per share	**(AED 0.149)**	AED 0.016

29.Commitments

Lease commitments:
The Group had obtained a vessel under a bareboat charter for a period of six years to October 2010 with an option to extend by one year which was not exercised in the current year. The charter hire is payable as follows:

	2010 AED'000	2009 AED'000
Within one year	**-**	19,471

Capital expenditure commitments:

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

	2010 AED'000	2009 AED'000
Vessel purchased for future use	**337,295**	-
Vessels being built for future use	**-**	215,208
Other vessels	**-**	1,581
	337,295	216,789

30.Contingencies

- An arbitrator awarded an amount of AED 13,960 thousand on 9 May 2006 in respect of a claim filed by Gulf Navigation Holding LLC (the LLC) against a third party. The Management considers that the arbitration award is a positive step towards recovering the amount through a court of law. Accordingly, the lawyers representing the Group have started proceeding to locate the assets of the third party. Although management believes that the amount will eventually be collected, in order to comply with International Financial Reporting Standards, management has decided not to record the award as an asset until the collection is virtually certain.

- During the previous year the Group has submitted a claim of AED 192,306 thousand for recovery of outstanding dues against Estate of Atlas Shipping which had filed for bankruptcy in December 2008. As at 31 December 2010, based on the discussion between management and the lawyers representing the Group, management believes that although the recovery of the total claim is contingent on the conclusion of the liquidation of the customer, an amount of AED 32,652 thousand which represents approximately 17% of the total claim, is highly probable and virtually certain. However, the balance amount of AED 159,614 thousand is contingent on the outcome of the claim being approved and paid. While certain proceedings have taken place, there is no change in the status since 31 December 2009.

31.Financial risk management

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group's transactions are mainly in US Dollar and United Arab Emirate Dirham. The term loans are denominated in US Dollars and most of the bank deposits are denominated in UAE Dirhams. United Arab Emirate Dirham is currently pegged to the US Dollar. Hence, the Group is not exposed to any significant currency risk.

Interest rate risk

The Group is exposed to interest risk on bank borrowings. The risk is managed by its strategy of protecting itself from fluctuations in interest rates, for which the Group enters into interest rate swap contracts for most of its loans.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2010	2009
	AED'000	AED'000
Variable rate instruments		
Bank deposits	**188,986**	352,346
Bank borrowings	**(929,561)**	(1,132,470)
	(740,575)	(780,124)

Cash flow sensitivity analysis for variable rate instruments

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. This analysis is performed on the same basis for 2009:

	50 basis points	
	Increase (AED '000)	**Decrease (AED '000)**
At 31 December 2010		
Variable rate instruments	**(343)**	**343**
At 31 December 2009		
Variable rate instruments	367	(367)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, its accounts receivable and certain other asset reflected in the statement of financial position.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The Group provides vessels or services to several charter parties and marine product distributors.

With respect to credit risk arising from other financial assets of the Group, including cash and cash equivalents, and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations and bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale and one month advance for charter hire is also obtained from the customers.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2010, based on contractual payment dates and current market interest rates.

At 31 December 2010

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Trade payables	**8,448**	**5,998**	**2,445**	-	-	**8,443**
Accrued expenses	**24,606**	**24,606**	-	-	-	**24,606**
Dividend payable	**12,506**	**12,506**	-	-	-	**12,506**
Term loans	**929,561**	**34,565**	**82,162**	**383,286**	**739,962**	**1,239,975**
Total	**975,121**	**77,675**	**84,607**	**383,286**	**739,962**	**1,285,530**

At 31 December 2009

	Carrying value	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Trade payables	6,389	6,389	3,306	-	-	9,695
Accrued expenses	14,030	14,030	-	-	-	14,030
Dividend payable	10,472	10,472	-	-	-	10,472
Term loans	1,132,470	43,578	120,257	416,290	721,290	1,301,415
Total	1,163,361	74,469	123,563	416,290	721,290	1,335,612

The table below shows the fair values of derivative financial instruments which are equivalent to market values, together with the notional amounts analyzed by term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts include the volume of transactions outstanding at year end and are neither indicative of the market risk or credit risk.

31 December 2010:

			Notional amounts by term to maturity		
	Carrying amount	**Notional amount**	**6 months or less**	**6 to 12 months**	**1 year to 5 years**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Interest rate swaps					
Liability	**59,062**	640,692	26,261	24,431	590,00
Total	**59,062**	640,692	26,261	24,431	590,000

31 December 2009:

			Notional amounts by term to maturity		
	Carrying amount	Notional amount	6 months or less	6 to 12 months	1 year to 5 years
	AED'000	AED'000	AED'000	AED'000	AED'000
Interest rate swaps					
Liability	57,591	713,343	33,215	158,706	521,422
Total	57,591	713,343	33,215	158,706	521,422

Capital management

The primary objective of the Group›s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. Capital comprises share capital, statutory reserve and retained earnings and is measured at AED 1,409,033 thousand as at 31 December 2010 (2009: AED 1,740,895 thousand).

32.Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of term loans, account payables, interest rate hedging fair value and due to related parties.

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. At the balance sheet date the fair values of majority of the financial instrument were approximate their carrying values, except those, for which the management was unable to determine the fair value due to impracticality.

Fair value hierarchy

The only financial instrument that is carried at fair value are the interest rate swap contracts that are used for hedging the interest rate risk on the term loans (refer notes 21 and 22). The valuation method used to determine the fair value of the interest rate swap contract falls in the category of "Level 3" which is defined as 'inputs for the asset or liability that are not based on observable market data (unobservable inputs)'.

The movement and total change in the fair value of the interest rate swap for the current year and the previous year are disclosed in the consolidated statement of changes in equity and the consolidated statement of comprehensive income respectively.

33. Accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the goodwill as at 31 December 2010 was AED 518,550 thousand (2009: AED 554,794 thousand). More details are given in note 12.

Impairment of vessels

The Group determines whether its vessels are impaired when there are indicators of impairment as defined in IAS 36. This requires an estimation of the value in use of the cash-generating unit which is the vessel owning and chartering segment. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from this cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying value of the vessels as at 31 December 2010 was AED 1,160,430 thousand (2009: AED 1,595,726 thousand).

Useful lives of vessels and equipment

The useful lives, residual values and methods of depreciation of vessels and equipment are reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Group takes guidance from recent acquisitions, as well as market and industry trends.

Impairment of accounts receivable

The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at 31 December 2010, gross trade receivables were AED 76,203 thousand (2009: AED 62,143 thousand) and the provision for doubtful debts was AED 9,038 thousand (2009: AED 2,988 thousand). Any difference between the amounts collected in future periods and the amounts expected will be recognized in the consolidated income statement.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on current replacement costs.

At the balance sheet date, gross inventories were AED 18,419 thousand (2009: AED 31,155 thousand) with no provisions for old and obsolete inventories.

Effectiveness of hedge relationship

At the inception of the hedge, the management documents the hedging strategy and performs hedge effectiveness testing to assess whether the hedge is effective. This exercise is performed at each balance sheet date to assesses whether the hedge will remain effective throughout the term of the hedging instrument. As at the balance sheet date the cumulative fair value of the interest rate swap was negative fair value of AED 59,062 thousand (2009: negative fair value of AED 57,591 thousand).

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