2009

ANNUAL REPORT

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Gulf Navigation Holding PJSC

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Company Overview

- Gulf Navigation Holding PJSC (GNH) and its group of companies own and operate crude, PROBOS and chemical tankers. It is the only maritime and shipping company listed on the Dubai Financial Market.
- It is an ISO 9001:2000 certified, Dubai based and United Arab Emirates holding entity with its fleet operating worldwide.
- 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 consists of 14 tankers including new buildings comprising of VLCC, Suezmax, 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'.

Company Ove

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 office in Riyadh, Kingdom of Saudi Arabia

Vision

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

Mission

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 banking relationships.
- Supporting a clean environment by active involvement of our employees.

Mission

Chairman's Statement

Bism Allah Al Rahman Al Rahim

I am pleased to report that although 2009 was a very challenging year for the marine industry, the Company performed remarkably well under the circumstances. We generated profits, positive cash flow and operated our vessels to the satisfaction of our clients. 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. Our focus remained on growing the business by developing long term customer relationships, evaluating investment opportunities and increasing our fleet strength.

During the year we continued to focus on customer satisfaction as a critical success factor. On March 3, 2009, we added another new chemical tanker 'Gulf Jalmuda' to our fleet, which was time-chartered for 15 years to the Saudi Basic Industries Corporation's (SABIC) subsidiary International Shipping Company. On 1st July 2009 we also commenced operations of our joint venture company with the Stolt-Nielsen shipping group 'Gulf Stolt Ship Management' (GSSM). GSSM has been managing the company's fleet in the international market ever since with improved efficiency and reduced ship operating costs.

Internally, our Board was actively engaged in the Company by taking great interest in how we were dealing with the challenges confronting the industry which naturally also impacted on us. Through their sincere advice and direction, we were able to achieve this satisfactory result. I continue to look forward to their support in steering the Company to greater successes.

We also placed a lot of emphasis during the year on strengthening our human resources by recruiting high caliber experienced personnel with proven industry track record. Their mandate is to bring about greater efficiency, cost savings and apply best in class work practices. I believe we are well on the way to successfully completing this

As a DFM listed company we are committed to effectively communicate with the financial community and all stakeholders and to provide complete, timely and transparent information about the company with full, fair and comprehensive disclosure.

We look forward to 2010 as a year of expansion. We believe that tanker prices are now more realistic, and combined with our strong cash position, we will be able to expand our fleet to meet the tremendous growth of Gulf chemical and oil production beginning 2012. We will continue with our strategy to expand the fleet with new state of the art chemical, crude and product carriers in addition to growing our Commercial and Agency businesses. Our ambition is to be the best in our business and we will continue to work towards that by building a large fleet, well managed and operated to the highest safety standards. This combined with providing the highest customer service will allow us to increase our share holder value in the years ahead.

Chairman's Statement

Thank you.

Abdullah Shuraim

Engineer Abdullah Abdul Rahman Al Shuraim

Chairman of the board of directors

Chief Executive's Statement

Chief Executive's

Dear Shareholder

2009 was a difficult year for our industry in general but I am very happy to report that our company came out of it on a positive note and that our views on the future are somewhat better.

The year also saw delivery of one new vessel, the GULF JALMUDA from Hyundai Mipo dockyard in South Korea. The vessel is of 46,200 dwt, a state of the art sophisticated Chemical Carrier, and has joined her 3 sister vessels on charter to International Shipping, a SABIC subsidiary with whom we have a valuable and long term relationship.

The commitments for 2009 as described in last year's annual report are all finalized:-

We have updated the Vision and Mission statements in line with the values we believe in, giving us clear direction as to where we want to go. The result can be seen in this report.

The internal branding has commenced and our joint venture Gulf Stolt Ship Management is working towards better retaining our professional seagoing personnel.

Our expenses, both on shore and at sea, have undergone a critical review and we have implemented a much stronger budget and follow up process.

And lastly, and maybe most importantly, asset prices were followed closely throughout the year resulting in a holding strategy for any new acquisitions which proved to be correct.

So conclusively for 2009, we have walked carefully; we have worked towards a tighter and more professional operation with better processes and procedures and have all in all managed the year satisfactorily.

The year of 2010, we believe will mark new milestones for the company. We expect, together with our customers and partners, to work towards growing the fleet. There are several reasons for this shift from a holding strategy towards one of more activity:-

Firstly, the forecasts for the world's oil and chemical consumption have now shifted to one of growth. Secondly, the order book with the world's shipyards is now, although still large, of a more manageable size. Thirdly, the prices of vessels, that being second hand or new, are now at a more realistic level.

In summary, we are quite optimistic for the company's immediate and long term future and to continuing our work in 2010.

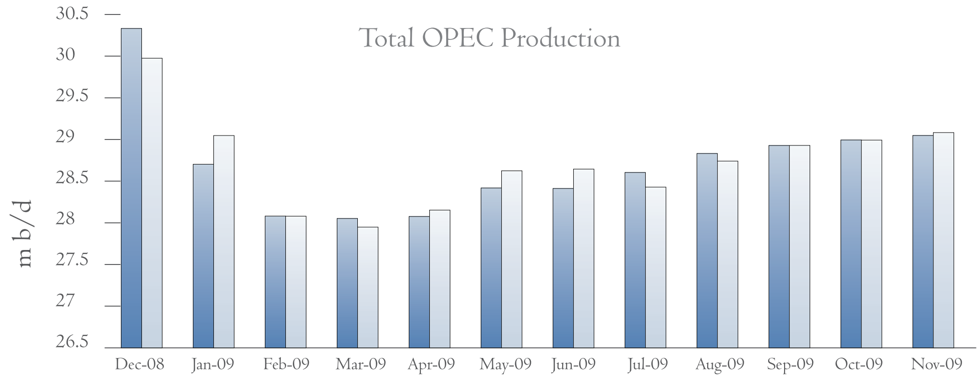
Thank you.

Per Wistoft Kristiansen

Chief Executive Officer

Statement

Industry Overview



	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
OPEC	30282	28690	28071	28083	28136	28402	28441	28690	28870	28954	28993	29077
IEA	29980	29050	28070	27940	28220	28610	28680	28640	28800	28960	29000	29100

Historically the VLCC rates for 2009 were not very attractive

Source: ACM Shipping Ltd. London

IEA Oil Demand Outlook (Nov 2009)

Source: ACM Shipping Ltd. London

	2003	2004	2005	2006	2007	2008	2009 (e)	2010 (e)
Global Oil Demand	79.2	82.6	83.9	85.3	86.5	86.2	84.9	86.3
Change In Global Oil Demand(m bpd)	2.3	3.3	1.1	0.8	1.2	-0.30	-1.30	1.40
Change In Global Oil Demand(%)	3.00	4.20	1.40	1.00	1.41	-0.35	-1.51	1.65

IEA does however now seem to accept that their prognosis for demand destruction in 2009 & 2010 had been an overreaction

Tanker fleet profile as of end January 2010

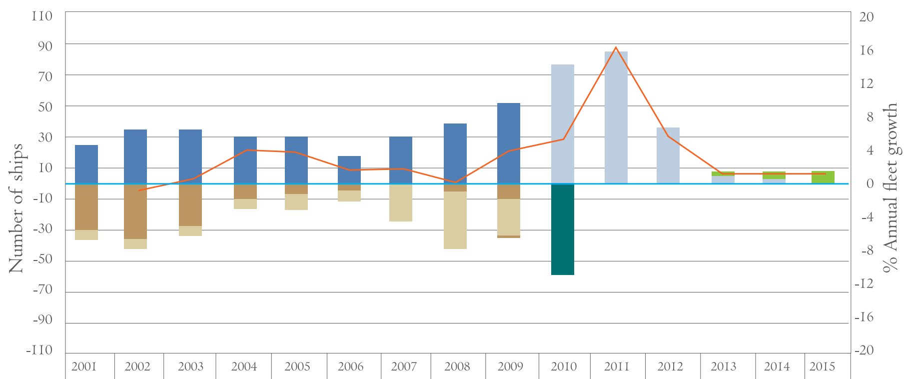
Figures in number		25-55'	Pana-dwt	Afra-max	Suez-max	VLCC max
Existing Fleet		1663	443	813	394	519
Delivered so far 10		2	1	1	1	0
Contracted so far 10		2	3	0	0	2
Deletions so far 10		0	0	0	0	0
Sold for demo. so far 10		1	0	0	0	0
On Order	2010 del	224	46	98	68	75
	2011 del	93	40	66	43	76
	2012 del	50	5	11	17	43
	2013 del	4	3	3	10	3
	2014 + del	2	1	2	2	2
Total Order Book		373	95	180	140	199

Source: © Fearnleys

VLCC = 200' dwt +, Suezmax = 120 - 200' dwt, Aframax = 85 - 120' dwt, Panamax = 55 - 85' dwt

Total OPEC Production

Source: ACM Shipping Ltd. London



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Removed: Overage (or S/S)							0	0	-1	0	0	0	0	0	0
Expected Conversion								0		0					
Projected Exclusion							0	0		-56	0	0	0	0	0
Projected Deliveries							0	0	0	0	0	0	2	3	7
Expected Deliveries							0	0	0	78	85	36	5	4	
Removed: Conversion/Laid Up	-4	-6	-7	-5	-9	-8	-22	-35	-25						
Scrapped	-30	-36	-28	-10	-7	-4	-1	-5	-10	0	0	0	0	0	0
Known Deliveries	27	38	37	30	31	19	31	40	53	2					
Fleet At End Year	450	446	448	463	478	485	493	493	510	534	619	655	662	669	677
% Fleet Growth		-0.9	0.4	3.3	3.2	1.5	1.6	0.0	3.4	4.7	15.9	5.8	1.1	1.1	1.1

Business Segments

Ship Owning & Chartering Division

With a newly expanded team numbering 5 experienced shipping professionals, our chartering department offers expertise ranging from crude oil, product, dry cargo and chemical vessels to insurance, commercial ship management and bunkering. Our commitment is to a safe and environmental friendly ship operation, employing the latest communication systems and chartering tools.

The aim remains to extend our fleet's strength by establishing long term relations with reputable customers by offering them efficient and value added services and at the same time ensuring the Company is able to maximize its revenue from its vessels.

Agency Division

Gulf Navigation Holding PJSC Agency is one of the leading shipping agency houses in UAE offering competitive and comprehensive services in all ports of U.A.E. with branches at Dubai, Fujairah, Khor Fakkan, Sharjah and Abu Dhabi. Additionally, it provides services in all GCC countries by sub contracted quality agencies.

We recognize that the pace and requirements of today's global shipping business demands an agent who is customer focused. Value services being our top priority, our service network is formed from the fusion of dedicated maritime operators and agency professionals in the region.

Some of the major services offered are as below:

- Ship Agency services
- Logistics & Warehousing
- Inland Transportation
- Ship Supply Services
- Project Cargo Handling
- Dry Docking & Repair services
- Marine Products Distribution & Sales
- Freight Forwarding

Gulf Navigation Holding PJSC Agency has a fleet of 4 ship supply boats, 2 of which have recently commenced service. The Company also has full logistic support with dedicated and well equipped warehouses in Fujairah and Khor Fakkan ports, supported by pickup trucks, cranes & forklifts.

Ship Management

The Gulf Stolt Ship Management JLT (GSSM) (located in the adjacent premises to Gulf Navigation Holding PJSC) is a Joint Venture Company between Gulf Navigation Holding PJSC (Dubai) and Stolt-Nielsen SA (Norway), established in 2009.

GSSM provides technical management to the Gulf Navigation fleet and is expected to substantially increase its activities in 2010 through additional tonnage from its owners.

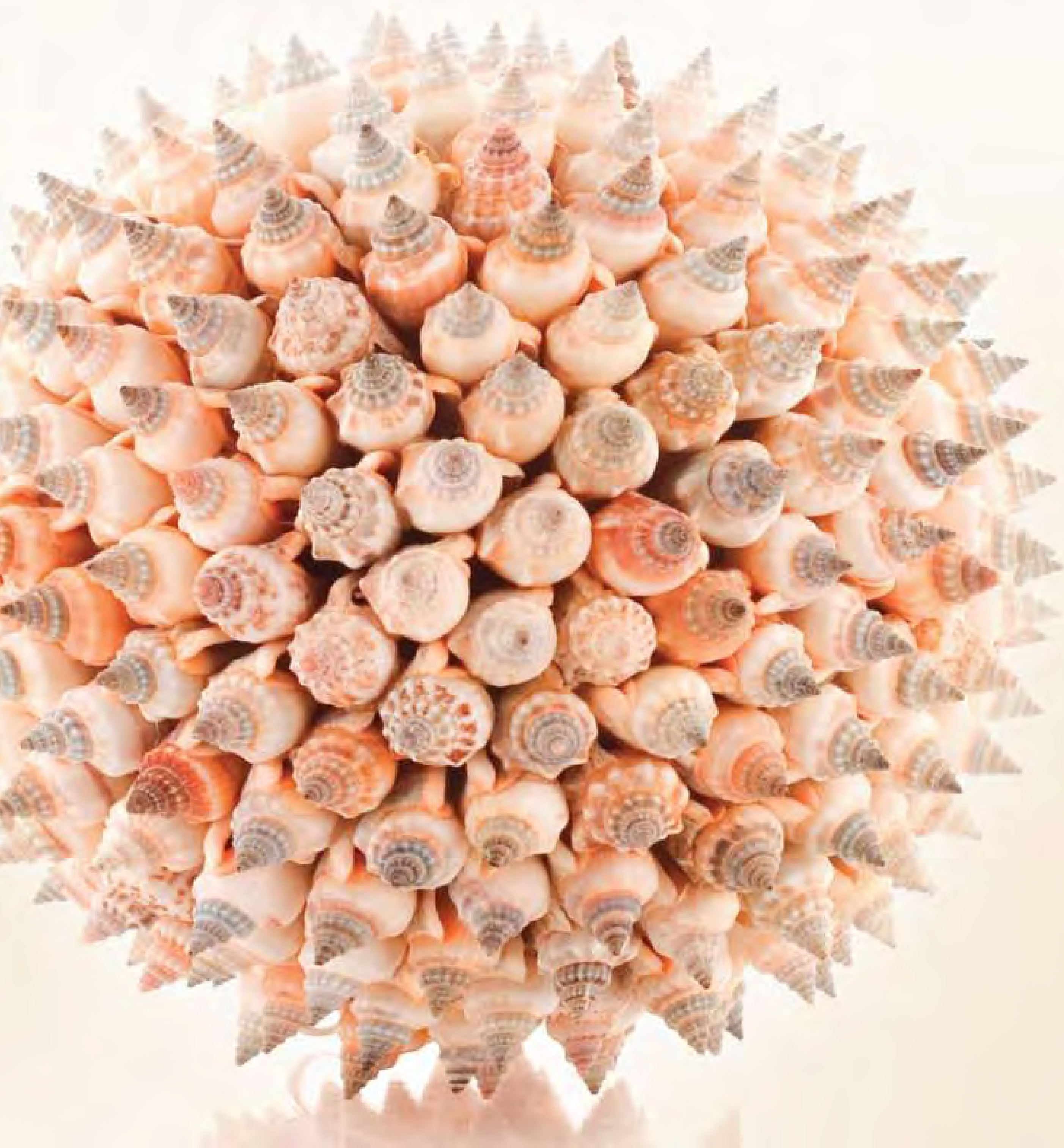
GSSM is comprised of a dedicated team of professionals having solid and extensive experience in the marine industry. Its policy is to provide safe and environmental friendly transportation; efficient and cost effective operations with minimum downtime and off hire periods and to comply with the highest quality, health, safety and environmental standards.

Fleet Overview

NAME	TYPE	BUILT	DWT
GULF SHEBA	VLCC	owned	298,923 MT
GULF SCANDIC	SUEZMAX	B/B chartered	151,459 MT
GULF JASH	PROBO	owned	47,980 MT
GULF AHMADI	PROBO	owned	47,979 MT
GULF SAFWA	PROBO	owned	48,015 MT
GULF SIEB	PROBO	owned	48,263 MT
GULF RIYAD	PROBO	owned	48,015 MT
GULF SHAGRA	PROBO	owned	48,263 MT
GULF DEFFI	IMO TYPE II CHEMICAL TANKER	owned	46,200 MT
GULF FANATIR	IMO TYPE II CHEMICAL TANKER	owned	46,200 MT
GULF HUWAYLAT	IMO TYPE II CHEMICAL TANKER	owned	46,200 MT
GULF JALMUDA	IMO TYPE II CHEMICAL TANKER	owned	46,200 MT
GULF MIZHAR	IMO TYPE III CHEMICAL TANKER	New building	44,000 MT
GULF MISHREF	IMO TYPE III CHEMICAL TANKER	New building	44,000 MT
GULF DEBA	Crew Boat	owned	25 passengers
GULF DEIRA	Crew Boat	owned	25 passengers
GULF NAV1	Crew Boat	owned	39 passengers
GULF NAV2	Crew Boat	owned	39 passengers

Fleet Overview

Board of Directors



Engineer Abdullah Al Shuraim

Engineer Abdullah Al Shuraim, a Saudi National is the Chairman and a founder of Gulf Navigation Holding PJSC, chairing the board since inception. He has held leading positions in major listed companies in Saudi Arabia including, Chief Executive Officer of National Shipping Company PJSC for 6 years from 1995 till 2001, Chief Executive Officer of National Chemical Carriers for 3 years from 1993 till 1995, Vice Chief Executive of Saudi Arabian Public Transport Company PJSC 4 years from 1989 till 1993, and Regional Manager Saudi Telecom from 1980 till 1989.

He also chaired the board of directors of NSCSA America, Mideast Ship Management in Dubai, and a board member of West of England Ship Owners Mutual Insurance, ACC, and NCC for six years.

Engineer Al Shuraim graduated from Purdue University West Lafayette Indiana USA and he received his BS in Electrical Engineering in 1980.

Rashid Al Shamsi

Rashid Al Shamsi, a UAE National is the Vice Chairman of Gulf Navigation Holding PJSC.

Rashid was involved in the marketing and distribution of energy related products for over 22 years. He served as General Manager of Emirates General Petroleum Corporation (Emarat) from 2002 to 2008 during which he chaired several Emarat subsidiary companies and joint ventures. He is the Vice Chairman of Dubai Financial Market, and CEO of Sama Dubai (Member of Dubai Holding) and Board Director of the Emirates General Transport Corporation. He was also a Member of the Board of Directors of Dubai Chamber of Commerce Industry (1991-1997).

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

Board of Directors

Hazza AL-Qahtani

Hazza Al-Qahtani, a Saudi National is one of the founders of Gulf Navigation Holding PJSC. He has over twenty years shipping experience with a major international shipping company at the top management level, and has been a board member in several companies. In addition to his current positions with Gulf Navigation Holding PJSC as a board and executive committee member, he is also the Chairman and Managing Director of Amad Investment Holding and the President of Byoun International Group.

His qualifications include a Master of Business Administration and BA in Economics from the United States.

Ghazi A. Al-Ibrahim

Ghazi A. Al-Ibrahim, a Saudi National is one of the founders of Gulf Navigation Holding PJSC. He is the Chairman of the Board & CEO of Space Investment Company, Emirates Space in Saudi Arabia and Space Theme Park India Ltd. He is also a Board Director of Gulf Stolt Tankers and Chairman of the Board of Gulf Stolt Ship Management Company. Ghazi has 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 and the Triangle Group and a member of the American Bureau of Shipping (ABS) and Clean Sea Organization.

He graduated from San Diego State University, USA (BS) and Sam Houston State University, USA (MS).

Board of

Fahad Al-Otaibi

Fahad Al-Otaibi, a Kuwait National is one of the founders of Gulf Navigation Company and board member.

He is the Chairman of Arab Combined Shipping & Transport Co. which is well established and has grown over the years providing shipping & road transportation, handling RO-RO, B/Bulk & chartered vessels, carrying regular commercial cargo and Government project cargo. The Company was nominated as an exclusive handling agent for a number of companies in Kuwait.

He holds a Bachelors degree in Business Administration.

Khalid Abdullah Al Zamil

Khalid Abdullah Al Zamil, a Saudi National is a prominent businessman in the Kingdom of Saudi Arabia. He holds key positions in a number of companies as follows: Director and Partner of Zamil Group Holding Companies which has a wide range of industrial, trading, investments and services activities, Managing Director of Zamil Industrial Investment PJSC, Chairman of Middle East Battery Company (Joint Venture with Johnson Control), Member of the Board of the Royal Commission for Jubail & Yanbu, Member of the Board of Prince Mohamad bin Fahd University, Member of the Board of Venture International Universal Islamic Bank, DBS, Singapore, Member of the Board for Dar Al-Yaum Newspaper, Dammam, Member of the Board for Sigma Paints, Member of the Board for SFCCL (CHEMANOL) and Member of Saudi Aramco Lubricating Oil Refining Company.

In addition he has been the Chairman of Saudi Council of Chambers of Commerce and Chairman of the Board of Eastern Province Chamber of Commerce and Industries.

He obtained a BS degree in Civil Engineering from the University of Southern California, Los Angeles, USA in 1972.

Directors

Anees Issa

Anees Issa, an Omani National is one of the founders of Gulf Navigation Holding and Chief Partner in Cyclone Llc., Sultanate of Oman.

He is also Managing Director of National Publishing and Advertising, Media Phone Co. Llc., Quriyat Aquaculture Co. Llc. and Muscat Press and Publishing House. In addition, he is the Vice President of Oriental Pharmacy.

He holds a degree in International Relations from Webster University, USA.

Abdul Rahman Al Saleh

Abdul Rahman Al Saleh, a UAE National has extensive experience in Government service. He is currently the Director General of Dubai's Department of Finance. Formerly he served as Senior Executive Director of Dubai Customs and was responsible for the finance sector and institutional support.

At the level of public sector he was a member of the Supreme Committee for the organization of Auditing profession in the United Arab Emirates (2002 - 2006). He is also a member of the Board of Shuaa Capital.

He is a legal administrative accountant from the United Kingdom and holds a master`s degree in business administration from the American University of Sharjah.

Mohammad Al Muallem

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

He 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, Mohammed was then appointed as Senior Vice President & Managing Director of DP World's UAE region.

He holds a Bachelor of Science in Industrial Engineering 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.

Board of

Ali Hamdan Ahmed

Ali Hamdan Ahmed, a UAE National is currently Deputy Director of Investment Department, in the Ministry of Finance, UAE, and formerly occupied the position of General Manager of Fujairah Water Company. In 2000 he served as Assistant General Manager in Rock Wool Factory and was also Manager of Emirates Ceramics Factory.

Ali participates in several committees, including the 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.

He is a member of the negotiating team for Gulf Free Trade Agreements (FTA) as well as the UAE negotiating team for the Double Taxation Avoidance Agreement. In addition, he is also in the negotiation team for the Bilateral Investment Treaties (BIT). He is currently Board Member of the International Islamic Trade Finance Corporation, Jeddah, Saudi Arabia. Ali won the Sheikh Rashid Scientific Achievement award twice in 1999 and in 2006.

He graduated with a master's degree in business administration (MBA) from the American University of Sharjah in 2004, and obtained a master's degree in science from Pennsylvania University USA in 1998, and a Bachelor of Science degree from the UAE University in 1994.

Abdullah Mohammed Al Housani

Abdullah Al-Housani, a UAE National is currently the Head of Consumer Banking Transformation Office in the National Bank of Abu Dhabi. Previously he has served as Area Manager for the National Bank of Abu Dhabi, Deputy General Manager of Salem Co. Ltd. and General Manager of Al Sahel Shares Center. He has over 20 years banking experience, starting his career in Mashreq Bank. Abdullah has held senior positions in National Bank of Abu Dhabi, First Gulf Bank, Abu Dhabi Commercial Bank, Commercial Bank of Dubai and Oman Bank (currently Mashreq Bank).

He obtained a Bachelors degree in Accountancy and Economics from Al Ain University UAE in 1987.

Corporate Governance and Committees

The Corporate Governance principles are designed to enable the Board and the executive management to operate within a clear framework. The principles explain the roles and responsibilities of the board and its committees. It also explains the board's relationship with executive management. The board delegates the authority to the executive management which is subject to certain limitations.

The Chief Executive implements the Board strategies through annual plans. The CEO reviews and discusses with the board all strategic and material matters which affect or may affect the company.

Board & its Committees

Gulf Navigation has three permanent Board Committees:–

- Executive Committee
- Audit Committee
- Nomination and Remuneration Committee

Executive Committee

The Committee focuses on the long term strategy formulation, annual plans, monitoring actions, decisions and performance of the executive management.

The Committee has four members. Engineer Abdullah Al Shuraim is the Chairman of the committee; Mr. Rashid Al Shamsi, Mr. Ghazi A. Al Ibrahim and Mr. Hazza Al Qahtani are committee members.

Audit Committee

The 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 performance of Gulf Navigation's Internal Audit Department.

The Committee has three members. They are independent and non executive board directors. Mr. Abdul Rahman Al Saleh is the Chairman of the committee; Mr. Abdullah Al Hosani and Mr. Ali Hamdan Ahmad are committee members.

Nomination and Remuneration Committee

The 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. Mohammed Al Muallem and Mr. Fahad Al Otaibi are committee members.

Internal Audit & Risk Management

Gulf Navigation has an established Internal Audit department which has functional reporting to the Audit committee. Internal Audits are conducted as per risk based audit methodology. Internal audits are prioritized as per the risk assessment outcome.

Code of conduct

There are separate codes of conduct for Gulf Navigation board members and employees covering business principles, dealing with business partners, ethics, conflict of interest, compliance, privacy and confidential reporting.

Confidential reporting

There is a confidential reporting framework and structure to report and escalate possible contraventions.

Corporate Governance

Financial Highlights 2007-2009

	2009	2008	2007
	AED'000	AED'000	AED'000 (14months)
Revenue	338,163	395,931	307,748
Operating Profit (EBIDA)	147,182	219,893	164,245
Net Profit for the year	26,546	148,226	133,511
Net cash generated from operations	44,511	196,395	201,114
Capital expenditure	169,564	479,661	510,116
Basic & diluted EPS	AED 0.016	AED 0.09	AED 0.08

Financial

Highlights

Board of Directors' Report

The Board of Directors of Gulf Navigation Holding PJSC and subsidiaries (the Group) has the pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the 12 month period ended 31 December, 2009. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held on 04 March 2010.

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 and Dividend

The Group has earned a net profit of AED 26.546 million for the year 2009. Retained earnings available for distribution is as follows:

	AED'000
Profit from 1st Jan-2009 to 31st Dec 2009	26,546
Statutory Reserve for 2009	(2,655)
Final Dividend of 2008 paid during the year	(49,650)
Directors remuneration of 2008 paid during the year	(4.910)
Opening Retained Earnings Balance	85,018
Available for distribution	**54,349**

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law an appropriation of AED 2.655 million is made to statutory reserve from the distributable profit of AED 26.546 million.

The dividend of 3 fils per share equivalent to AED 49.650 million is proposed for approval at the forthcoming Annual General Meeting of the shareholders

The share holders funds as at 31 December 2009 amount to AED 1.68 billion.

From inception the company has declared dividends to share holders amounting to:

	AED'000
Final dividend for financial year 2007	115,850
Interim dividend for financial year 2008	82,750
Final dividend for year 2008	49,650
Proposed dividend for year 2009	49,650
Total	**297,900**

Directors:

Mr. Abdullah A. Al-Shuraim	(Chairman)
Mr. Rashid Al Shamsi	(Vice Chairman)
Mr. Ghazi A. Al-Ibrahim	(Director)
Mr. Fahad G. Al-Otaibi	(Director)
Mr. Anees Mohammad Issa	(Director)
Mr. Hazza B. Al-Qahtani	(Director)
Mr. Khaled Al Zamil	(Director)
Mr. Abdul Rahman Al Saleh	(Director)
Mr. Abdullah Al Housani	(Director)
Mr. Ali Hamdan Ahmed	(Director)
Mr. Mohamed Yousef Al Muallem	(Director)

Rashid Al Shamsi
Vice Chairman

Dubai
Date: 3rd Feb 2010

Consolidated financial statements

31 December 2009

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 2009, 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 2008, which were audited by another auditor whose report dated 29 January 2009, expressed an unqualified opinion on those statements. entation 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.

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 2009, 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 2009, which may have had a material adverse effect on the business of the Group or its consolidated financial position.

For KPMG

Vijendranath Malhotra
(Registration No. B 48)

3rd February 2010
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Consolidated income statement

for the year ended 31 December 2009

	Note	2009 AED'000	2008 AED'000
Operating revenue	5	**338,163**	395,931
Operating costs	6	**(277,649)**	(214,768)
Gross profit		**60,514**	181,163
Other income	7	**1,822**	1,809
Finance income	8	**28,769**	31,969
Share of loss in a jointly controlled entity	22	**(1,659)**	-
Administrative expenses	9	**(22,964)**	(20,429)
Reversal of provision/ (Provision) for doubtful debts	13	**7,413**	(12,865)
Finance costs		**(47,349)**	(33,421)
Profit for the year		**26,546**	148,226
Earnings per share			
- Basic and diluted	25	**AED 0.016**	AED 0.09

The notes on pages 33 to 58 form part of these consolidated financial statements.

The independent auditors' report is set out on page 27.

Gulf Navigation Holding PJSC

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 AED'000	2008 AED'000
Profit for the year		**26,546**	148,226
Other comprehensive income			
Net movement in fair value of cash flow hedges		**23,367**	(61,040)
Directors' fee		**(4,910)**	(4,110)
Profit of LLC transferred to PJSC		-	27,708
Other comprehensive income / (loss) for the year		**18,457**	(37,442)
Total comprehensive income for the year		**45,003**	110,784

The notes on pages 33 to 58 form part of these consolidated financial statements.

The independent auditors' report is set out on page 27.

Gulf Navigation Holding PJSC

Consolidated statement of financial position

As at 31 December 2009

	Note	2009 AED'000	2008 AED'000
Assets			
Non-current assets			
Vessels and equipment	*10*	**1,838,628**	1,769,298
Goodwill	*11*	**554,794**	554,794
		2,393,422	2,324,092
Current assets			
Inventories	*12*	**31,155**	8,154
Trade and other receivable	*13*	**103,076**	56,674
Cash in hand and at bank	*14*	**406,792**	648,718
		541,023	713,546
Total assets		**2,934,445**	3,037,638
Equity and liabilities			
Equity			
Share capital	*15*	**1,655,000**	1,655,000
Statutory reserve	*16*	**31,546**	28,891
Retained earnings		**54,349**	85,018
		1,740,895	1,768,909
Cumulative change in the fair value of cash flow hedge	*19*	**(57,591)**	(80,958)
Total equity		**1,683,304**	1,687,951
Non-current liabilities			
Term loans	*20*	**1,015,413**	1,061,471
Employees' end of service benefits	*21*	**717**	813
		1,016,130	1,062,284
Current liabilities			
Bank overdraft	*14*	**-**	17,508
Interest rate hedging fair value	*19*	**57,591**	80,958
Current portion of term loans	*20*	**117,057**	112,637
Accounts payable and accruals	*22*	**54,449**	70,386
Amounts due to related parties	*23*	**5,914**	5,914
		235,011	287,403
Total liabilities		**1,251,141**	1,349,687
Total equity and liabilities		**2,934,445**	3,037,638

The notes on pages 33 to 58 form part of these consolidated financial statements.The consolidated financial statements were approved and authorized for issue by the Vice Chairman on behalf of the Board of Directors on 3rd February 2010 and signed on its behalf by:

Rashid Al Shamsi
Vice Chairman

The independent auditors' report is set out on page 27.

Gulf Navigation Holding PJSC

Consolidated statement of cash flows

for the year ended 31 December 2009

	Note	2009 AED'000	2008 AED'000
Operating activities			
Profit for the year		**26,546**	148,226
Adjustments for:			
Depreciation	10	**100,003**	69,770
Share of loss in a jointly controlled entity	22	**1,659**	-
Provision for employees' end of service benefits	21	**394**	492
Profit on sale of vessels and equipment		**-**	(47)
Interest income	8	**(28,769)**	(31,969)
Finance costs		**47,349**	33,421
Operating profit before working capital changes		**147,182**	219,893
Change in inventories		**(23,001)**	(4,546)
Change in trade and other receivable	13	**(46,402)**	(21,231)
Change in accounts payable and accruals	22	**(27,868)**	6,589
Directors fees paid		**(4,910)**	(4,110)
Employees' end of service benefits paid	21	**(490)**	(200)
Net cash from operating activities		**44,511**	196,395
Investing activities			
Purchase of vessels and equipment	10	**(169,564)**	(479,661)
Proceeds from disposal of vessels and equipment	10	**231**	109
Investment in a jointly controlled entity		**(200)**	
Interest received		**28,769**	31,969
Net cash used in investing activities		**(140,764)**	(447,583)
Financing activities			
Receipt of term loans		**70,999**	440,888
Repayment of term loans		**(112,637)**	(90,220)
Dividends paid		**(39,178)**	(171,808)
Interest paid		**(47,349)**	(33,421)
Net cash (used in) / from financing activities		**(128,165)**	145,439
Decrease in cash and cash equivalents		**(224,418)**	(105,749)
Cash and cash equivalents at the beginning of year (refer note (i))		**631,210**	736,959
Cash and cash equivalents at end of the year	14	**406,792**	631,210

(i) Cash and cash equivalents as at 31 December 2008 comprise:

Cash at bank and in hand	648,718
Bank overdrafts	(17,508)
	631,210

The notes on pages 33 to 58 form part of these consolidated financial statements.

Gulf Navigation Holding PJSC

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share Capital AED'000	Statutory reserve AED'000	Cumulative change in fair value of cash flow hedge AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2008	1,655,000	14,068	(19,918)	126,617	1,775,767
Total comprehensive (expense) / income for the year	-	-	(61,040)	171,824	110,784
Interim dividend paid				(82,750)	(82,750)
Transfer to statutory reserve		14,823		(14,823)	-
Dividend for 2007 declared	-	-	-	(115,850)	(115,850)
Balance at 31 December 2008	1,655,000	28,891	(80,958)	85,018	1,687,951
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)	
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**

The notes on pages 33 to 58 form part of these 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.

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 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 a jointly controlled entity.

Subsidiaries	*Country of incorporation*
Gulf Navigation Holding PJSC	United Arab Emirates
Gulf Navigation Group FZCO	United Arab Emirates
GulfNav Ship Management FZE *	United Arab Emirates
Gulf Ship FZE	United Arab Emirates
Gulf Crude Carriers LLC	United Arab Emirates
Gulf Chemical Carriers LLC	United Arab Emirates
Lam Gulf Maritime Co LLC	United Arab Emirates
Gulf Navigation and Brokerage LLC	Oman
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Jash Shipping Inc	Panama
Gulf Mishref Shipping Inc	Marshal Islands
Gulf Mizwar Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Sieb Shipping Inc	Panama
Gulf Riyad Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands
Gulf Sheba Shipping Limited	Hong Kong

* with effect from 1 July 2009, the operations of Gulf Navigation Ship Management FZE have been transferred to a jointly controlled entity Gulf Stolt Ship Management JLT. As part of the joint venture agreement with the joint venture partner, Stolt-Nielsen Indian Ocean and Middle East Service Limited; the net assets of Gulf Navigation Ship Management FZE amounting to (AED 495,444) as at 1 July 2009 have been transferred to the jointly controlled entity (also refer note 24).

2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

2 Basis of preparation (continued)

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. However, the consolidated financial statements are presented in United Arab Emirates Dirhams ("AED") being the domicile currency. Amounts in US Dollars have been translated into AED at the rate of USD 1 = AED 3.66.

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 30.

Changes in accounting policies

Overview

Starting as of 1 January 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the 'Executive Committee', who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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. An operating segment's operating results are reviewed regularly by the CODD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2 Basis of preparation (continued)

Segment results that are reported to the CODD 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, and intangible assets other than goodwill.

Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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, except as explained in note 2, which addresses changes in accounting policies.

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 changed 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 22).

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.

3 Significant accounting policies (continued)

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 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 property, plant 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

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 operating income' in the income statement in the period the asset is derecognised.

3 Significant accounting policies (continued)

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.

3 Significant accounting policies (continued)

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.

3 Significant accounting policies (continued)

Provisions

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

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.

3 Significant accounting policies (continued)

Non-financial assets (continued)

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 period, 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 to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see notes 1 and 24).

4 Determination of fair values

Certain of the Group's accounting policies and disclosures require the determination of fair value, for financial assets. 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 29.

New standards and interpretations

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2009, and have not been early adopted in preparing these financial statements:

- IFRS 3 (Revised) – Business Combinations, effective from 1 July 2009;
- Amendments to IAS 39 - Financial Instruments Recognition and Measurement, effective from 1 July 2009;
- IFRIC 17 - Distribution of Non- Cash Assets to Owners, effective from 1 July 2009;
- IFRS 5 (Revised) - Non-current Assets Held for Sale and Discontinued Operations, effective from 1 July 2009;
- IFRS 1 (Revised) - First time Adoption of International Financial Reporting Standards, effective from 1 July 2009;
- Amendments to IFRS 2 - Share-based Payment, effective from 1 January 2010;
- IAS 27 (Amended) - Consolidated and Separate Financial Statements, effective from 1 July 2009;
- Amendments to IAS 32 - Financial Instruments Presentation, effective from 1 February 2010;
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010;
- IAS 24 (Revised) - Related Party Disclosures, effective from 1 January 2011;
- Amendments to IFRIC 14 and IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction, effective from 1 January 2011; and
- IFRS 9 Financial Instruments, effective from 1 January 2013.

Management has assessed the impact of the new standards, amendments to standards and interpretations and amendments to published standards, and concluded that they are either not relevant to the Company or their impact is limited to the disclosures and presentation requirement in the financial statements.

The Group is currently in the process of evaluating the potential effect of the above standards. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's consolidated financial statements.

5 Operating revenue

	2009 AED'000	2008 AED'000
Vessel chartering (also refer 13(i))	**324,570**	374,398
Ship agency	**10,562**	18,716
Commercial agency	**3,031**	2,817
	338,163	395,931

6 Operating costs

	2009 AED'000	2008 AED'000
Vessel owning		
Ship running	**99,212**	82,673
Vessel depreciation	**76,225**	55,278
Bareboat hire	**23,144**	23,208
Commission on freight	**7,843**	12,458
Dry docking write off	**18,011**	12,071
Charter hire	**-**	5,665
Bunker expense	**30,404**	2,964
Port disbursement expenses	**8,338**	-
Other miscellaneous expenses	**5,462**	5,571
Ship agency		
Operating cost	**5,840**	11,915
Vessel depreciation	**534**	534
Commercial agency	**2,636**	2,431
	277,649	214,768

7 Other income

	2009 AED'000	2008 AED'000
Miscellaneous income	**1,822**	1,809
	1,822	1,809

Other income represents commission on consignment sales and other auxiliary services.

8 Finance income

	2009 AED'000	2008 AED'000
Finance income (i)	**28,536**	28,722
Other finance income	**233**	3,247
	28,769	31,969

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

9 Administrative expenses

	2009 AED'000	2008 AED'000
Staff salaries and benefits	**13,550**	12,433
Other administrative expenses	**9,414**	7,996
	22,964	20,429

10 Vessels and equipment

	Vessels AED'000	Building AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture & fixtures AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost:								
At 1 January 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**

10 Vessels and equipment (continued)

	Vessels AED'000	Building AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture & fixtures AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost:								
At 1 January 2008	904,996	8,885	2,342	860	315	350	493,138	1,410,886
Additions	23,430	-	-	353	29	99	455,750	479,661
Transfers	419,389	-	-	-	-	-	(419,389)	-
Disposals	-	-	-	(70)	-	(102)	-	(172)
At 31 December 2008	1,347,815	8,885	2,342	1,143	344	347	529,499	1,890,375
Depreciation:								
At 1 January 2008	50,279	264	366	333	90	81	-	51,413
Charge for the year	68,755	296	342	219	85	73	-	69,770
Relating to disposals	-	-	-	(68)	-	(38)	-	(106)
At 31 December 2008	119,034	560	708	484	175	116	-	121,077
Net book value								
At 31 December 2008	**1,228,781**	**8,325**	**1,634**	**659**	**169**	**231**	**529,499**	**1,769,298**

Capital work in progress mainly represents advance paid for the construction of two *(2008: four)* ships.

The amount of borrowing costs included within capital work in progress during the year is AED 4,454 thousand *(2008: AED 14,500 thousand)*.

Vessels having net book value of AED 1,533,555 thousand *(2008: AED 1,186,841 thousand)* and vessels under construction at 31 December 2009 are mortgaged as security for term loan (Note 20).

10 Vessels and equipment (continued)

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

	2009 AED'000	2008 AED'000
Operating costs	**76,759**	55,812
Administrative expenses	**1,007**	1,030
	77,766	56,842

11 Goodwill

	2009 AED'000	2008 AED'000
Goodwill	**554,794**	554,794

The carrying amount of the goodwill which 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 which 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% .

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 are currently under construction, 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.

12 Inventories

	2009 AED'000	2008 AED'000
Spare parts *	**21,481**	-
Vessel oil and lubricants	**5,818**	5,439
Fuel	**3,181**	2,142
Others	**675**	573
	31,155	8,154

* During the current year the Group through its new ship management JV company carried out a reassessment of the process around recognition of certain spares and consumables on board its vessels. It was identified that certain inventories which were capable of providing future economic benefits were charged to income statement. A detailed physical verification of such inventory items was carried out and after due technical analysis of usability of these items, their value was recognized on balance sheet with a credit to statement of income amounting to AED 21,481 thousand. The prior year comparatives have not been restated as the Group management has concluded that it is impracticable for identifying the physical quantities and values of inventories as at 31 December 2008 and management believe the majority of the spares relate to the current year after having matched the spares to purchase orders/ goods received notes

13 Trade and other receivables

	2009 AED'000	2008 AED'000
Trade accounts receivable (i)	**59,155**	21,062
Accrued finance income	**2,755**	7,242
Awards receivable	**5,914**	5,914
Advances to suppliers	**2,786**	7,314
Prepaid expenses	**18,947**	10,323
Other receivables (ii)	**13,519**	4,819
	103,076	56,674

(i) Included in trade receivable is an additional claim of AED 9,308 thousand *(2008 : nil)* in respect of the loss of business and additional costs due to cancellation of charters. Based on confirmation from the lawyers representing the Group that a minimum 17% payout of the total claim of AED 192,306 thousand is expected, the management has recognized the additional element of the total claim.

(ii) It includes AED 4,101 thousand *(2008 : nil)* in respect of the outstanding claim from 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 2009, trade receivables at nominal value of AED 2,988 thousand (2008: AED 8,581 thousand) were impaired. Movements in the allowance for impairment of receivables are as follows:

	2009 AED'000	2008 AED'000
At 1 January	**8,581**	2,159
Charge for the year	**9**	12,865
Reclassified from accrued expenses	**3,051**	-
Amounts reversed from provisions	**(7,422)**	-
Amounts written off	**(1,231)**	(6,443)
At 31 December	**2,988**	8,581

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

			Past due but not impaired				
	Total AED'000	*Neither past due nor impaired AED'000*	*<30 days AED'000*	*30-60 days AED'000*	*60-90 days AED'000*	*90-120 days AED'000*	*>120 days AED'000*
2009	**59,155**	**9,308**	**9,541**	**1,686**	**3,990**	**2,825**	**31,805**
2008	21,062	3,096	8,749	4,224	4,052	295	646

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. The amount of AED 33,692 thousand represents the trade receivable from the Estate of Atlas Shipping A/S, and the management, based on the advice of the lawyer is confident of the recovery of this amount (also

13 Trade and other receivables (continued)

refer note 27). 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 23).

14 Cash and cash equivalents

	2009 AED'000	2008 AED'000
Bank balances and cash	406,792	648,718
Fixed deposits maturing beyond three months	-	(33,890)
Bank overdraft	-	(17,508)
	406,792	597,320

Included in cash and cash equivalent are bank deposits of AED 352,346 thousand (2008:AED 565,994) 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 4.5 % (2008 : 6%) per annum. The Group's cash is placed with banks of good repute.

15 Share capital

Authorised, issued and fully paid

	2009 AED'000	2008 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.

16 Statutory reserve

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year has been 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.

17 Dividends and share buy back

During the year , dividends of AED 0.03 per share totalling AED 49,650 thousand relating to 2008 were approved and paid. The Board of Directors have proposed cash dividend of AED 0.03 per share totalling AED 49,650 thousand for the year 2009. Further, the Board of Directors approved a share buyback strategy to be implemented during 2010, which will be done in full compliance with regulatory approvals and procedures.

18 Directors' fees

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

19 Derivative financial instruments

The Group has two interest rate swap contracts outstanding at 31 December 2009 designated as hedges of expected interest rate fluctuations. The total notional amount of the derivatives is AED 713,343 thousand *(2008; AED 772,543 thousand)* maturing in December 2010 and December 2013 respectively. 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 expected future cash outflows on the hedged item.

20 Term loans

	2009	2008
	AED'000	AED'000
Current portion of long-term loan	**117,057**	112,637
Non-current portion of long-term loan	**1,015,413**	1,061,471
	1,132,470	1,174,108

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 2008	309,921	312,462	201,061	823,444
Add: availed during the year	-	43,042	397,841	440,883
Less: repaid during the year	(18,300)	(65,880)	(6,039)	(90,219)
Balance at 31 December 2008	291,621	289,624	592,863	1,174,108
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 Company 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.

20 Term loans (continued)

(ii) Term loan II –Tranche A

The term-loan of AED 336,263 thousand is availed by the Company 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 Company 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.

(iii) Term loan III

The term-loan of AED 676,331 is availed by the Company for the acquiring ships amounting to AED 795,684. 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 is over a certain percentage.

21 Employees' end of service benefits

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

	2009	2008
	AED'000	AED'000
Opening balance	**813**	521
Provided during the year	**394**	492
End of service benefits paid	**(490)**	(200)
Provision as at 31 December	**717**	813

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

22 Accounts payable and accruals

	2009 AED'000	2008 AED'000
Trade payables	**9,695**	9,919
Accrued expenses	**17,682**	28,284
Advances from customers	**15,141**	5,391
Provision for share of loss in a jointly controlled entity (i)	**1,459**	
Dividend Payable	**10,472**	26,792
	54,449	70,386

(i)	Investment in a jointly controlled entity	**200**
	Share of loss in a jointly controlled entity	(1,659)
	Provision for share of loss in a jointly controlled entity	**(1,459)**

Investment in a jointly controlled entity represents the Group's 50% interest in Gulf Stolt Ship Management JLT 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 entity, not adjusted for the percentage ownership held by the Group:

	At 31 December 2009 AED '000
Current assets	**1,866**
Non-current assets	**683**
Current liabilities	**(1,878)**
Non-current liabilities	**(1,931)**
Net liabilities	**(1,260)**

	1 July 2009to 31 December 2009 AED '000
Revenue	**4,021**
Expenses	**(5,680)**
Loss	**(1,659)**

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.

23 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 3,953 thousand *(2008: Nil)* for managing the Group's vessels

Amounts due to related parties at the balance sheet date represent amounts payable to the shareholders of Gulf Navigation Holding LLC (the LLC) in respect of an amount of AED 5,914 thousand retained to cover the amounts of awards receivables guaranteed by them (refer note 13). Awards receivables of AED 5,914 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:

	2009	2008
	AED'000	AED'000
Short-term benefits	**1,948**	1,139
Employees end of service benefits	**59**	14
	2,007	1,153

24 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.
- *Ship management:* Providing ship handling, maintenance and repairs, technical support services. *
- *Other:* Includes management of all the divisions and administrative activities.

* The operations of this segment has been transferred to a newly incorporated jointly controlled entity, Gulf Stolt Ship Management JLT (refer notes 1 and 22).

Geographical segments

The chief operating decision maker of the Group 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.

24 Operating segments (continued)

Information about reportable segments

All figures in AED'000

	Vessel owning & chartering	Commercial	Agency	Ship Management	Other	Inter-segment elimination	Total	Vessel owning & chartering	Commercial	Agency	Ship Management	Other	Inter-segment elimination	Total
	For the year 2009							For year 2008						
Operating revenue	324,570	3,031	10,562	2,811	-	(2,811)	338,163	374,398	2,817	18,716	4,773	-	(4,773)	395,931
Finance income	120	-	1	6	28,642	-	28,769	2,831	2	1	19	29,116	-	31,969
Other income	7,772	723	49	77	623	-	9,244	539	936	88	60	186	-	1,809
Operating costs	(271,181)	(2,636)	(6,418)	-	-	2,586	(277,649)	(203,823)	(2,431)	(12,537)	-	-	4,023	(214,768)
Finance costs	(46,736)	(22)	(22)	(36)	(533)	-	(47,349)	(33,126)	(15)	(15)	(8)	(257)	-	(33,421)
Depreciation	(10)	(35)	(193)	(24)	(745)	-	(1,007)	(2)	(29)	(185)	(42)	(772)	-	(1,030)
Other administrative expenses	-	(930)	(3,938)	(3,783)	(14,974)	-	(23,625)	(12,392)	(1,209)	(4,238)	(4,728)	(9,697)	-	(32,264)
Reportable segment profit	14,535	131	41	(949)	13,013	(225)	26,546	128,425	71	1,830	74	18,576	(750)	148,226
	As at 31 December 2009							As at 31 December 2008						
Reportable segment assets	3,177,164	9,756	30,464	358,046	2,348,922	(2,989,907)	2,934,445	2,129,699	6,800	25,748	242,969	2,466,439	(1,834,017)	3,037,638
Reportable segment liabilities	3,157,727	10,404	16,464	356,581	604,939	(2,894,974)	1,251,141	1,969,021	7,425	9,959	240,555	919,629	(1,796,902)	1,349,687

25 Earnings per share

	2009 AED'000	2008 AED'000
Profit for the year	**26,546**	148,226
Weighted average number of shares outstanding during the year (In thousand)	**1,655,000**	1,655,000
Basic and diluted earnings per share	**AED 0.016**	AED 0.09

26 Commitments

Lease commitments

The Group has obtained a vessel under a bareboat charter for a period of six years to October 2010 with an option to extent one year. The charter hire is payable as follows:

	2009 AED'000	2008 AED'000
Within one year	**19,471**	23,378
After one year but not more than five years	-	42,849
	19,471	66,227

Capital expenditure commitments:

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

	2009 AED'000	2008 AED'000
Vessels being built to be provided to a third party under time charter agreements	-	79,568
Vessels being built for future use (i)	215,208	258,250
Other vessels	1,581	1,581
Total	216,789	339,399

(i) The vessels under construction are significantly delayed by the shipyard and most likely will exceed the owners cancellation date in 2010. If cancelled the Group may invoke the bank guarantee for the advance payment of AED 215,208 thousand plus interest and recoverable expenses. This bank guarantee is assigned to the bank who have provided the term loan facility for these vessels (refer note 20). The assignment value drawn on this facility agreement is to the extent of AED 86,083.

27 Contingencies

Contingent asset

- 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 year the Group has submitted a claim of AED 192,306 thousand for recovery of outstanding dues against Estate of which had filed for bankruptcy in December 2008. As at 31 December 2009, based on the discussion between the management and the lawyers representing the Group, the 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 32,692 thousand which represents approximately 17% of the total claim, is highly probable and virtually certain. Accordingly an additional claim relating to loss of profit of AED 9,308 thousand has been recognized as receivable along with trade receivable of AED 23,384 (refer note 13). However, the balance amount of AED 159,614 thousand is contingent on the outcome of the claim being approved and paid.

28 Risk management

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:

	2009	2008
	AED'000	AED'000
Variable rate instruments		
Bank deposits	**352,346**	565,994
Bank borrowings	**(1,132,470)**	(1,174,108)
	(780,124)	(608,114)

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 performed on the same basis for 2008:

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

28 Risk management (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	50 basis points	
	Increase (AED '000)	**Decrease (AED '000)**
At 31 December 2008		
Variable rate instruments	1,515	(1,515)

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 balance sheet.

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 2009, based on contractual payment dates and current market interest rates.

At 31 December 2009

	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
Trade payables	6,389	3,306	-	-	9,695
Advances from customers	15,141	-	-	-	15,141
Dividend payable	10,472	-	-	-	10,472
Term loans	43,578	120,257	416,290	721,290	1,301,415
Total	75,580	123,563	416,290	721,290	1,336,723

28 Risk management (continued)

Liquidity risk (continued)
At 31 December 2008

	Less than 3 months AED'000	3 to 12 months AED'000	1 to 5 years AED'000	>5 years AED'000	Total AED'000
Trade payables	6,613	3,306	-	-	9,919
Advances from customers	5,391	-	-	-	5,391
Dividend payable	26,792	-	-	-	26,792
Bank overdraft	17,508	-	-	-	17,508
Term loans	42,401	133,726	588,390	1,109,288	1,873,805
Total	98,705	137,032	588,390	1,109,288	1,933,415

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 2009:

			Notional amounts by term to maturity		
	Carrying amount AED'000	***Notional amount AED'000***	***6 months or less AED'000***	***6 to 12 months AED'000***	***1 year to 5 years 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

31 December 2008:

			Notional amounts by term to maturity		
	Carrying amount AED'000	*Notional amount AED'000*	*6 months or less AED'000*	*6 to 12 months AED'000*	*1 year to 5 years AED'000*
Interest rate swaps					
Liability	80,958	772,543	59,200	33,215	680,128
Total	80,958	772,543	59,200	33,215	680,128

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, management does not consider it necessary to cover the Group from the currency risk.

28 Risk management (continued)

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 1,740,895 thousand as at 31 December 2009 *(2008: AED 1,768,909 thousand)*.

29 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 the Group's financial instruments approximate their carrying amounts.

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 19 and 20). 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.

30 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 2009 was AED 554,794 thousand *(2008: AED 554,794 thousand)*. More details are given in note 11.

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 2009 was AED 1,595,726 thousand *(2008: AED 1,228,781 thousand)*.

30 Accounting estimates and judgments (continued)

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 2009, gross trade receivables were AED 62,143 thousand *(2008: AED 29,643 thousand)* and the provision for doubtful debts was AED 2,988 thousand *(2008: AED 8,581 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 31,155 thousand *(2008: AED 8,154 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 57,591 thousand *(2008: negative fair value of AED 80,958 thousand)*.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