Gulf Navigation Holding PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

BOARD OF DIRECTORS' REPORT

The Board of Directors of Gulf Navigation Holding PJSC and subsidiaries (the Group) has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the 12 month period ended 31 December, 2008.

Financial Result

The Group has earned a net profit of AED 148.226 million for the year 2008. Retained earning available for distribution are as follows:

	AED in million
Profit from 1st Jan-2008 to 31st Dec 2008	148.226
Profit from 1st Jan 2006 to 30th Oct – 2006 transferred	27.708
Interim Dividend distributed for 2008	(82.750)
Statutory Reserve for 2008	(14.823)
Opening Retained Earning Balance	6.657
Available for distribution	**85.018**

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law an appropriation of AED 14.823 million is made to statutory reserve from the distributable profit of AED 148.226 million.

The dividend of 8 fils per share equivalent to AED 132.40 million and Directors Remuneration of AED 5.065 Million for the year 2008 will be proposed for the approval at the forthcoming Annual General meeting of the shareholders

The share holders fund as at 31 December 2008 amount to AED 1.69 billion

From Inception the company has declared the dividend to share holders amounting as below

	AED in Million
Final dividend for financial year 2007	115.850
Interim dividend for financial year 2008	82.750
Proposed final dividend for year 2008	49.650
Total	248.25

Directors:

Mr. Abdullah A. Al-Shuraim	(Chairman)
Mr. Rashed 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)

Abdullah A Al- Shuraim
Chairman
Dubai
Date: 29th Jan 2009

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company; an inventory was duly carried out and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

for Ernst & Young

Ernst & Young

Signed by
Farrukh Seer
Partner
Registration No. 491

29 January 2009
Dubai, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	*1 January to 31 December 2008 (12 months) AED'000*	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Operating revenue	3	**395,931**	272,121	307,748
Operating costs	4	**(214,768)**	(156,585)	(178,461)
GROSS PROFIT		**181,163**	115,536	129,287
Other income	5	**33,778**	46,850	54,584
Administrative expenses	6	**(20,429)**	(16,546)	(19,470)
Provision for doubtful debts	10	**(12,865)**	(2,262)	(2,262)
Finance costs		**(33,421)**	(27,530)	(28,628)
PROFIT FOR THE YEAR / PERIOD		**148,226**	116,048	133,511
Earnings per share	22			
- Basic and diluted (AED)		**0.09**	0.07	0.08

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

CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	*2008 AED'000*	*2007 AED'000*
ASSETS			
Non-current assets			
Vessels and equipment	8	**1,769,298**	1,359,473
Goodwill	9	**554,794**	554,794
		2,324,092	1,914,267
Current assets			
Inventories		**8,154**	3,608
Accounts receivable and prepayments	10	**56,674**	35,443
Bank balances and cash	11	**648,718**	736,959
		713,546	776,010
TOTAL ASSETS		**3,037,638**	2,690,277
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1,655,000**	1,655,000
Statutory reserve	13	**28,891**	14,068
Retained earnings	14 & 15	**85,018**	126,617
		1,768,909	1,795,685
Interest rate hedging fair value	16	**(80,958)**	(19,918)
Total equity		**1,687,951**	1,775,767
Non-current liabilities			
Term loans	17	**1,061,471**	736,977
Employees' end of service benefits	18	**813**	521
		1,062,284	737,498
Current liabilities			
Bank overdraft	11	**17,508**	-
Interest rate hedging fair value	16	**80,958**	19,918
Current portion of term loans	17	**112,637**	86,467
Accounts payable and accruals	19	**70,386**	37,005
Amounts due to related parties	21	**5,914**	33,622
		287,403	177,012
Total liabilities		**1,349,687**	914,510
TOTAL EQUITY AND LIABILITIES		**3,037,638**	2,690,277

The consolidated financial statements were authorised for issue in accordance with a resolution of directors on 29 January 2009.

Abdullah Al-Shuraim
Chairman

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Share Capital AED'000	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Interest rate hedging fair value AED'000*	*Total AED'000*
Balance at 1 January 2008	1,655,000	14,068	126,617	(19,918)	1,775,767
Profit of LLC transferred to PJSC (Note 21)	-	-	27,708	-	27,708
Net movement in interest rate hedging fair value (Note 16)	-	-	-	(61,040)	(61,040)
Total income (expense) for the year recognised directly in equity	-	-	27,708	(61,040)	(33,332)
Profit for the year	-	-	148,226	-	148,226
Total income (expense) for the year	-	-	175,934	(61,040)	114,894
Transfer to statutory reserve (Note 13)	-	14,823	(14,823)	-	-
Dividends for 2007 paid (Note 14)	-	-	(115,850)	-	(115,850)
Interim dividend paid (Note 14)	-	-	(82,750)	-	(82,750)
Directors fee for 2007 paid (Note 15)			(4,110)	-	(4,110)
Balance at 31 December 2008	1,655,000	28,891	85,018	(80,958)	1,687,951

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2008

	Share Capital AED'000	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Interest rate hedging fair value AED'000*	*Total AED'000*
Capital introduced	1,655,000	-	-	-	1,655,000
Pre-incorporation profit	-	-	7,174	-	7,174
Net movement in interest rate hedging fair value (Note 16)	-	-	-	(19,918)	(19,918)
Total income (expense) for the period recognised directly in equity	-	-	7,174	(19,918)	(12,744)
Profit for the period from incorporation to 31 December 2007	-	-	133,511	-	133,511
Total income (expense) for the period	-	-	140,685	(19,918)	120,767
Transferred to statutory reserve (Note 13)	-	14,068	(14,068)	-	-
Balance at 31 December 2007	1,655,000	14,068	126,617	(19,918)	1,775,767

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes	*1 January 31 December 2008 AED'000*	*Date of incorporation to 31 December 2007 AED'000*
OPERATING ACTIVITIES			
Profit for the year / period		**148,226**	133,511
Adjustments for:			
Depreciation	8	**69,770**	51,424
Provision for employees' end of service benefits	18	**492**	337
Profit on sale of equipment		**(47)**	(9)
Finance income	5	**(31,969)**	(49,646)
Finance costs		**33,421**	28,628
		219,893	164,245
Working capital changes:			
Inventories		**(4,546)**	(2,939)
Accounts receivable and prepayments		**(21,231)**	11,587
Accounts payable and accruals		**6,589**	28,550
Cash from operations		**200,705**	201,443
Interest paid		**(47,921)**	(41,113)
Employees' end of service benefits paid	18	**(200)**	(329)
Net cash from operating activities		**152,584**	160,001
INVESTING ACTIVITIES			
Purchase of vessels and equipment		**(465,157)**	(497,631)
Proceeds from disposal of equipment		**109**	46
Finance income received		**31,969**	43,109
Pre-incorporation profit		**-**	7,174
Fixed deposits maturing beyond three months		**586,260**	(555,683)
Net cash used in investing activities		**153,181**	(1,002,985)
FINANCING ACTIVITIES			
Term loans obtained		**440,884**	690,403
Term loans repaid		**(90,220)**	(65,880)
Due to banks repaid		**-**	(174,988)
Liabilities against assets under finance lease settled		**-**	(384,175)
Share capital received in cash		**-**	910,000
Amounts due to related parties		**-**	(31,862)
Dividends paid		**(171,808)**	-
Directors' fees paid		**(4,110)**	-
Net cash from financing activities		**174,746**	943,498
INCREASE IN CASH AND CASH EQUIVALENTS		**480,511**	100,514
Cash and cash equivalents at 1 January	11	**116,809**	16,295
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11	**597,320**	116,809

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

1 ACTIVITIES

Gulf Navigation Holding PJSC (the "Company") was incorporated on 30 October 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company is primarily engaged in marine transportation of commodities, chartering vessels, ship agency, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services through its subsidiaries as listed below. The Company is operated from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

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

Subsidiaries	*Country of Incorporation*
Gulf Navigation Holding PJSC	United Arab Emirates
Gulf Navigation Group FZCO	United Arab Emirates
Gulf Navigation Ship Management FZE	United Arab Emirates
Gulf Ship FZE	United Arab Emirates
Gulf Crude Carriers LLC	United Arab Emirates
Gulf Chemical Carriers LLC	United Arab Emirates
Lam Gulf Maritime Co LLC	United Arab Emirates
Gulf Navigation and Brokerage LLC	Oman
Gulf 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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The accounting policies are consistent with those of the previous financial period.

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

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (collectively "the Group") using consistent reporting period and consistent accounting policies. All significant inter-company transactions, profits and balances are eliminated on consolidation.

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

IASB Standards and Interpretations issued but not adopted

The Company has not adopted IASB standards and interpretations that have been issued but are not effective.

Except for revised IAS 1, adoption of these standards and interpretations will not have any effect on the financial performance or position of Group. The application of revised IAS 1 will result in amendments to the presentation of the financial statements.

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

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

Ship management, ship agency and commercial agency revenues consist of the invoiced value of goods supplied and services rendered, net of discounts and returns.

Interest income is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Vessels and equipment
Vessels and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

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

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

The carrying values of vessels and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Vessels and equipment (continued)

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

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

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

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

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

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

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Derivative financial instruments
The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised.

3 OPERATING REVENUE

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Vessel chartering	**374,398**	252,408	284,719
Ship agency	**18,716**	15,389	17,903
Commercial agency	**2,817**	4,280	5,060
Ship management income	**-**	44	66
	395,931	272,121	307,748

4 OPERATING COSTS

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Vessel chartering:			
Ship running	**82,673**	54,357	62,915
Vessel depreciation	**55,278**	39,438	44,360
Bareboat hire	**23,208**	23,145	27,014
Commission on freight	**12,458**	7,669	8,007
Dry docking write off	**12,071**	4,828	4,828
Charter hire	**5,665**	3,363	3,363
Bunkering	**2,964**	5,271	5,728
Other miscellaneous	**5,571**	3,175	4,260
Ship agency:			
Operating cost	**11,915**	11,048	13,032
Vessel depreciation	**534**	535	550
Commercial agency	**2,431**	3,756	4,396
Ship management	**-**	-	8
	214,768	156,585	178,461

5 OTHER INCOME

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Finance income	**28,722**	16,831	49,646
Other finance income	**3,247**	25,213	-
Miscellaneous income	**1,809**	4,806	4,938
	33,778	46,850	54,584

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

6 ADMINISTRATIVE EXPENSES

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Staff salaries and benefits	**12,433**	10,219	11,471
Other administrative expenses	**7,996**	6,327	7,999
	20,429	16,546	19,470

7 SEGMENT INFORMATION

For management purposes, the Group is organised into chartering and several other business units. However, as the total revenue, profit or assets of all other business units combined are less than 10% of respective totals for the Group, they are not considered to be reportable segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

8 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 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 carrying amount:								
At 31 December 2008	**1,228,781**	**8,325**	**1,634**	**659**	**169**	**231**	**529,499**	**1,769,298**

8 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:								
On transfer from the LLC (Note 20)	459,458	-	1,599	318	128	285	439,030	900,818
Additions	444,991	-	743	553	187	102	63,540	510,116
Transfers	547	8,885	-	-	-	-	(9,432)	-
Disposals	-	-	-	(11)	-	(37)	-	(48)
At 31 December 2007	904,996	8,885	2,342	860	315	350	493,138	1,410,886
Depreciation:								
Charge for the year / period	50,279	264	366	337	90	88	-	51,424
Relating to disposals	-	-	-	(4)	-	(7)	-	(11)
At 31 December 2007	50,279	264	366	333	90	81	-	51,413
Net carrying amount:								
At 31 December 2007	854,717	8,621	1,976	527	225	269	493,138	1,359,473

Capital work in progress mainly represents advance paid for the construction of four (2007 : six) ships.

The amount of borrowing costs included within capital work in progress during the year is AED 14,500 thousand (2007: AED 10,261 thousand).

Vessels having net book value of AED 1,186,841 thousand (2007: AED 822,653 thousand) and vessels under construction at 31 December 2008 are mortgaged as security for term loan (Note 17).

8 VESSELS AND EQUIPMENT (continued)

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

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Operating costs	**68,754**	48,698	50,279
Administrative expenses	**1,016**	1,583	1,145
	69,770	50,281	51,424

9 GOODWILL

	2008 AED'000	*2007 AED'000*
Goodwill on transfer (Note 20)	**554,794**	554,794

The carrying amount of the goodwill has been allocated to the business as a whole. 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 ten year period.

The discount rate applied to cash flow projections is 12% and the cash flows beyond the ten-year period are extrapolated using a 1% growth rate.

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. Regard has been given to yield on bank deposits.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 AED'000	*2007 AED'000*
Trade accounts receivable	**21,062**	13,467
Accrued finance income	**7,242**	6,488
Awards receivable	**5,914**	5,914
Advances to suppliers	**7,314**	531
Prepaid expenses	**10,323**	7,444
Other receivables	**4,819**	1,599
	56,674	35,443

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2008, trade receivables at nominal value of AED 8,581 thousand (2007: AED 2,159 thousand) were impaired. Movements in the allowance for impairment of receivables are as follows:

	2008 AED'000	*2007 AED'000*
At 1 January	**2,159**	-
Charge for the year / period	**12,865**	2,262
Amounts written off	**(6,443)**	(103)
At 31 December	**8,581**	2,159

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*
2008	**21,062**	**3,096**	**8,749**	**4,224**	**4,052**	**295**	**646**
2007	13,467	7,345	1,539	677	656	443	2,807

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

Awards receivable represents amounts awarded by the arbitrators for claims filed by formerly Gulf Navigation Holding LLC against certain third parties. Management believe that the amounts of claims awarded by arbitrators will ultimately be recovered. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them (Note 21).

11 CASH AND CASH EQUIVALENTS

	2008 AED'000	*2007 AED'000*
Bank balances and cash	**648,718**	736,959
Fixed deposits maturing beyond three months	**(33,890)**	(620,150)
Bank overdraft	**(17,508)**	-
	597,320	116,809

Included in cash and cash equivalent are bank deposits of AED 565,994 thousand (2007:AED 65,256) 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 interest or profit at an average rate of 6 % (2007 : 5.75%) per annum.

12 SHARE CAPITAL

Authorised, issued and fully paid

	2008 *AED'000*	*2007* *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.

13 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.

14 DIVIDENDS

During the year , dividends of AED 0.07 per share totalling AED 115,850 thousand relating to 2007 were approved and paid. In addition, the Company paid interim dividend of AED 0.05 per share totalling AED 82,750 thousand. The Board of Directors have proposed an additional cash dividend of AED 0.03 per share totalling AED 49,650 thousand. The interim and the final dividends are subject to the necessary approvals.

15 DIRECTORS' FEES

During the year , directors fees of AED 4,110 thousand relating to 2007 were approved and paid. The Board of Directors have proposed directors' fees of AED 5,065 thousand. The fee is subject to the necessary approvals.

16 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has two interest rate swap contracts outstanding at 31 December 2008 designated as hedges of expected interest rate fluctuations. The total amount of loans subject to these contracts, including undrawn amounts, is AED 772,543 thousand maturing in January and September 2013 respectively. The terms of the contracts have been negotiated to match the terms of the loan agreements. The negative fair values of theses contracts designated as cash flow hedges have been taken to equity and payables.

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

17 TERM LOANS

This represents loans obtained from three commercial banks as follows:

(a) For the construction of four chemical tankers -AED 590,725 thousand outstanding at 31 December 2008 (2007: AED 198,920 thousand) Current portion AED 28,457 thousand (2007: AED 2,287 thousand)

This loan is secured against assignment of vessels building contract from Hyundai Mipo, assignment of refund guarantee from KEXIM Bank and pledge of shares of subsidiaries owning the vessels. The loan carries interest at *LIBOR* plus 0.7% and the remaining loan balance is repayable in 38 quarterly instalments.

17 TERM LOANS (continued)

(b) For acquisition of six Probo Vessels - AED 204,500 thousand outstanding at 31 December 2008 (2007 : AED 270,383 thousand) Current portion AED 65,880 thousand (2007 : AED 65,880 thousand)

This loan is secured against assignment of mortgage against Probo vessels and pledge of shares of subsidiaries owning these vessels. The loan carries interest at *LIBOR* plus 0.7% and the remaining loan balance is repayable in 19 quarterly instalments.

(c) For acquisition of VLCC Vessel- AED 292,800 thousand outstanding at 31 December 2008 (2007: AED 311,100 thousand) Current portion AED 18,300 thousand (2007: AED 18,300 thousand)

This loan is secured against assignment of mortgage against VLCC vessel and pledge of shares of subsidiaries owning the vessels. The loan carries interest at *LIBOR* plus 0.7% and the remaining loan balance is repayable in 18 semi-annual instalments and a final instalment of AED 128,100 thousand.

(d) For the construction of two Chemical Tankers-AED 86,083 thousand outstanding at 31 December 2008 (2007: AED 43,041 thousand)

This loan is secured against assignment of vessels building contract from Shina Building Co Ltd, assignment of refund guarantee from Korean Development Bank and pledge of shares of subsidiaries owning the vessel. The loan carries interest at LIBOR plus 0.7% and is repayable in 28 quarterly instalments beginning after three months of the delivery of the vessel which is expected by 31 August 2009.

18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2008 ***AED'000***	*2007* *AED'000*
Opening balance	**521**	-
On transfer from the LLC (Note 20)	**-**	513
Provided during the year / period	**492**	337
End of service benefits paid	**(200)**	(329)
Provision as at 31 December	**813**	521

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

19 ACCOUNTS PAYABLE AND ACCRUALS

	2008 ***AED'000***	*2007* *AED'000*
Trade payables	**9,919**	9,014
Accrued expenses	**28,284**	13,745
Advances from customers	**5,391**	14,246
Dividend Payable	**26,792**	-
	70,386	37,005

20 BUSINESS COMBINATION

At 30 October 2006, the assets and liabilities of Gulf Navigation Holding LLC (the LLC) were transferred to Gulf Navigation Holding PJSC (the PJSC) as an in-kind contribution for 45% interest in the PJSC. The fair value which approximates the carrying value of the identifiable assets and liabilities of the LLC at the date of transfer are summarised below:

	AED'000
Vessels and equipment	900,818
Long term deposit	64,467
Inventories	669
Accounts receivable and prepayments	40,493
Bank balances and cash	16,295
Term loans	(198,921)
Employees' end of service benefits	(513)
Liabilities against vessels under finance lease	(384,175)
Due to banks	(174,988)
Accounts payable and accruals	(8,455)
Amounts due to related parties	(65,484)
Fair value of identifiable net assets acquired	190,206
Total fair value of Gulf Navigation Holding LLC	745,000
Fair value of net assets acquired, as above	190,206
Goodwill	554,794
Cash flow on transfer	16,295

21 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.

There were no transactions with related parties included in the consolidated income statement.

Amounts due to related parties at 31 December 2008 represent amounts payable to the shareholders of Gulf Navigation Holding LLC (the LLC) in respect of an amount of AED 5,914 thousand (31 December 2007: AED 33,622 thousand) retained to cover the amounts of awards receivables guaranteed by them.

In 2006 the shareholders of Gulf Navigation Holding LLC (the LLC) resolved to distribute the profit that would be earned between 1 January 2006 and the date of the incorporation of the PJSC (30 October 2006) to the shareholders of the LLC, which after transfer of statutory reserve of AED 223 thousand amounted to AED 27,708 thousand. However, during the year, the Board of Directors of the Company and the shareholders of the former LLC decided to transfer the profit of AED 27,708 thousand to retained earnings.

21 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	1 January to 31 December 2008 (12 months) AED'000	*1 January to 31 December 2007 (12 months) AED'000*	*Date of incorporation to 31 December 2007 (14 months) AED'000*
Short-term benefits	**1,139**	866	970
Employees' end of service benefits	**14**	23	23
	1,153	889	993

22 EARNINGS PER SHARE

	1 January to 31 December 2008 (12 months)	*1 January to 31 December 2007 (12 months)*	*Date of incorporation to 31 December 2007 (14 months)*
Profit for the year / period (AED in thousand)	**148,226**	116,048	133,511
Weighted average number of shares outstanding during the year / period	**1,655,000,000**	1,655,000,000	1,655,000,000
Basic and diluted earnings per share (AED)	**0.09**	0.07	0.08

23 COMMITMENTS

Lease commitments

a. The Group has entered into contracts with a third party for chartering out of four vessels for a period of 15 years from the date of delivery of vessels with an option to extend the charter by five years. The Group is required to provide crew for the vessels as well as maintain, insure and overhaul vessels during the period of the charter. The third party may terminate the charter agreements by purchasing one or more of the vessels at written down value at the expiry of each complete year of the charter period. For calculating the written down value, the useful life of the vessel is deemed to be 20 years and the residual value is estimated to be 10%. Daily charter hire is AED 70 thousand during the period of charter hire.

Out of the four vessels, two vessel are now available and have been chartered out during the year 2008. The Group received delivery of one vessel subsequent to the balance sheet date. The other vessel is still under construction.

23 COMMITMENTS (continued)

b. The Group has obtained a vessel under a bareboat charter for a period of seven years to October 2011. The charter hire is payable as follows:

	2008	*2007*
	AED'000	*AED'000*
Within one year	**23,378**	23,378
After one year but not more than five years	**42,849**	66,228
	66,227	89,606

Capital expenditure commitments:

On 16 June 2008, the Company entered into a joint venture agreement with Stolt Nielsen Indian Ocean and Middle East Service Limited to establish a joint venture company to own and operate vessels and other ships. The total equity commitment of the Group to the joint venture is AED 196 million. The Group expects the joint venture to be functional by the end of March 2009.

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

	2008	*2007*
	AED'000	*AED'000*
Vessels being built to be provided to a third party under time charter agreements	**79,568**	477,410
Vessels being built for future use	**258,250**	301,291
Other vessels	**1,581**	1,581
Total	**339,399**	780,282

24 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.

25 RISK MANAGEMENT

Interest rate risk

The Group earns profit on its fixed deposits and pays interest on its term loans on a floating rate basis. However, in accordance with the terms of the loan agreements and its strategy of protecting itself from fluctuations in interest rates, the Group enters into interest rate swap contracts for most of its loans. Based on balances of 31 December 2008, a 50 basis point decrease in interest rate of fixed deposits and a 50 basis points increase in the interest rate of unhedged portion of term loan will reduce the profit for the year by AED 1,515 thousand (2007: AED 2,643 thousand).

25 RISK MANAGEMENT (continued)

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. Its 5 largest customers account for 67 % of outstanding accounts receivable at 31 December 2008 (2007: 52%)

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 2008, based on contractual payment dates and current market interest rates.

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

At 31 December 2007

	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	-	9,014	-	-	9,014
Advances from customer	14,246	-	-	-	14,246
Term loans	-	123,363	489,100	524,712	1,137,175
Total	14,246	132,377	489,100	524,712	1,160,435

25 RISK MANAGEMENT (continued)

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.

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 1,768,909 thousand as at 31 December 2008 (2007: 1,795,685 thousand).

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of term loans, 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.

28 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- *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. Goodwill is carried in the balance sheet at AED 554,794 thousand (2007: AED 554,794 thousand).

- *Useful lives of vessels and equipment:* The useful lives, residual values and methods of depreciation of vessels and equipment are reviewed, and adjusted if appropriate, at each financial year end. In the review process, the Group takes guidance from recent acquisitions, as well as market and industry trends. Vessel and equipment are carried in the balance sheet at AED 1,769,298 thousand (2007: AED 1,359,473 thousand).

- *Impairment of accounts receivable*: An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

  At the balance sheet date, gross trade accounts receivable were AED 29,643 thousand (2007: AED 15,626 thousand) and the provision for doubtful debts was AED 8,581 thousand (2007: AED 2,159 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

29 COMPARATIVE AMOUNTS

The previous financial statements of the Group covered the period from the date of incorporation (30 October 2006 to 31 December 2007). In order to facilitate comparison , management has also disclosed income statement amounts for twelve months ended 31 December 2007.

Dry docking costs and pre-delivery expenses up to 31 December 2007 amounting to AED 32,134 thousand previously included in 'Goodwill and other intangible assets' have been reclassified to 'Vessels and equipment' at 1 January 2008. Related amortization of AED 5,369 thousand has now been included in accumulated depreciation at 1 January 2008. Provision for doubtful debts previously included in administrative expenses has now been classified as a separate line item in the statement of income. Interest rate hedging fair value previously included in accounts payable and accruals has now been disclosed as a separate line item in the balance sheet. These changes have been made to improve the quality of information presented. Proposed dividends and Proposed directors' fees previously disclosed separately in 'Equity' have now been included in retained earnings and disclosed in notes 14 and 15 to the financial statements.