Gulf Navigation Holding PJSC

Condensed consolidated interim financial statements

31 March 2010

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Report on Review of Interim Financial Information

The Shareholders
Gulf Navigation Holding PJSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (together referred to as "the Group") as at 31 March 2010, and the related condensed consolidated interim statement of comprehensive income (comprising of a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim statement of income), condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity for the three-month period then ended (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the three-month period ended 31 March 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

29 APR 2010

KPMG
Vijendranath Malhotra
(Registration No. B 48)
Dubai, United Arab Emirates

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Gulf Navigation Holding PJSC

Condensed consolidated interim statement of income (Unaudited)

For the three months ended 31 March 2010

	Notes	**2010 (Unaudited) AED'000**	2009 (Unaudited) AED'000
Operating revenue	*4*	**80,179**	81,872
Voyage related direct costs	*5*	**(3,800)**	(7,294)
Net operating revenue		**76,379**	74,578
Other operating costs	*6*	**(61,787)**	(60,123)
Gross profit		**14,592**	14,455
Finance income		**3,632**	9,454
Finance costs		**(10,912)**	(10,977)
Share of loss in a jointly controlled entity		**(81)**	-
Administrative expenses	*7*	**(4,832)**	(6,885)
Other income		**673**	330
Profit for the period		**3,072**	6,377
Earnings per share			
- Basic and diluted	*11*	**AED 0.002**	AED 0.004

The notes on pages 7 to 14 form part of these condensed consolidated interim financial statements.

The Report on Review of Interim Financial Information is set out on page 1.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income (Unaudited)

For the three months ended 31 March 2010

	Notes	**2010 (Unaudited) AED'000**	2009 (Unaudited) AED'000
Profit for the period		**3,072**	6,377
Other comprehensive income			
Net movement in fair value of cash flow hedges		**(204)**	6,182
Directors' fee		**-**	(4,910)
Other comprehensive income for the period		**(204)**	1,272
Total comprehensive income for the period		**2,868**	7,649

The notes on pages 7 to 14 form part of these condensed consolidated interim financial statements.

The Report on Review of Interim Financial Information is set out on page 1.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of financial position (Unaudited)

As at 31 March 2010

	Notes	31 March 2010 (Unaudited) AED'000	31 December 2009 (Audited) AED'000
Assets			
Non-current assets			
Vessels and equipment	7	**1,818,387**	1,838,628
Goodwill		**554,794**	554,794
		2,373,181	2,393,422
Current assets			
Inventories		**32,428**	31,155
Trade and other receivable		**113,982**	103,076
Cash and cash equivalents		**313,355**	406,792
		459,765	541,023
Total assets		**2,832,946**	2,934,445
Equity and liabilities			
Equity			
Share capital		**1,655,000**	1,655,000
Statutory reserve		**31,546**	31,546
Retained earnings		**9,037**	54,349
Reserve for own shares	10	**(25,359)**	-
		1,670,224	1,740,895
Hedging reserve for interest rate swap		**(57,795)**	(57,591)
Total equity		**1,612,429**	1,683,304
Non-current liabilities			
Term loans	8	**966,474**	1,015,413
Employees' end of service benefits		**847**	717
		967,321	1,016,130
Current liabilities			
Fair valuation of interest rate swap hedge		**57,795**	57,591
Current portion of term loans	8	**107,491**	117,057
Accounts payable and accruals		**75,872**	54,449
Amounts due to related parties	9	**5,914**	5,914
Bank overdraft		**6,124**	-
		253,196	235,011
Total liabilities		**1,220,517**	1,251,141
Total equity and liabilities		**2,832,946**	2,934,445

The notes on pages 7 to 14 form part of these condensed consolidated interim financial statements

The condensed consolidated interim financial statements were approved by the Board of Directors on and signed on its behalf by:

29 APR 2010

Ghazi Al Ibrahim
Vice Chairman

The Report on Review of Interim Financial Information is set out on page 1.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows (Unaudited)

For the three months ended 31 March 2010

	Notes	**2010 (Unaudited) AED'000**	2009 (Unaudited) AED'000
Operating activities			
Profit for the period		**3,072**	6,377
Adjustments for:			
Depreciation		**25,234**	23,717
Share of loss in a jointly controlled entity		**81**	-
Provision for employees' end of service benefits		**129**	126
Interest income		**(3,632)**	(9,454)
Finance costs		**10,912**	10,977
Operating profit before working capital changes		**35,796**	31,743
Change in inventories		**(1,272)**	(802)
Change in accounts receivable and prepayments		**(10,905)**	(25,644)
Change in accounts payable and accruals		**1,102**	7,678
Directors fees paid		**-**	(4,910)
Net cash from operating activities		**24,721**	8,065
Investing activities			
Purchase of vessels and equipment	7	**(4,993)**	(112,990)
Interest received		**3,632**	9,454
Repurchase of own shares		**(25,360)**	-
Net cash used in investing activities		**(26,721)**	(103,536)
Financing activities			
Term loans availed	8	**-**	79,568
Repayment of term loans		**(58,505)**	(29,646)
Dividends paid		**(28,144)**	(32,260)
Interest paid		**(10,912)**	(10,977)
Net cash (used in) / from financing activities		**(97,561)**	6,685
Decrease in cash and cash equivalents		**(99,561)**	(88,786)
Cash and cash equivalents at the beginning of period		**406,792**	631,210
Cash and cash equivalents at end of the period		**307,231**	542,424
(i) Cash and cash equivalents as at 31 March comprise:			
Cash at bank and in hand		**313,355**	542,424
Bank overdrafts		**(6,124)**	-
		307,231	542,424

The notes on pages 7 to 14 form part of these condensed consolidated interim financial statements.

The Report on Review of Interim Financial Information is set out on page 1.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of changes in equity (Unaudited)

For the three months ended 31 March 2010

	Share Capital AED'000	*Statutory reserve AED'000*	*Hedging reserve for interest rate swap AED'000*	*Reserve for own shares AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance at 1 January 2009	1,655,000	28,891	(80,958)	-	85,018	1,687,951
Total comprehensive income for the period	-	-	6,182	-	1,467	7,649
Dividend for 2008 declared	-	-	-	-	(49,650)	(49,650)
Balance at 31 March 2009	1,655,000	28,891	(74,776)	-	36,835	1,645,950
Balance at 1 January 2010	1,655,000	31,546	(57,591)	-	54,349	1,683,304
Total comprehensive income for the period	-	-	(204)	-	3,072	2,868
Own shares purchased (note 10)	-	-	-	(25,359)	-	(25,359)
Dividend for 2009 declared	-	-	-	-	(48,384)	(48,384)
Balance at 31 March 2010	**1,655,000**	**31,546**	**(57,795)**	**(25,359)**	**9,037**	**1,612,429**

The notes on pages 7 to 14 form part of these condensed consolidated interim 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 Company and its following directly or indirectly wholly owned subsidiaries are referred to as "the Group" in the interim condensed consolidated financial statements:

Subsidiaries	*Country of incorporation*
Gulf Navigation Group FZCO	United Arab Emirates
Gulf Navigation Ship Management	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

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

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

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the three months ended 31 March 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information required for annual financial statement and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2009.

2 Basis of preparation and accounting policies (continued)

Basis of preparation (continued)

The functional currency of the Group is US Dollars. However, the condensed consolidated interim financial statements are presented in United Arab Emirates Dirhams ("AED") 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 condensed consolidated interim financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at fair value.

Basis of consolidation

The condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as "the Group"). The condensed consolidated interim financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All 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.

Significant accounting policies

The Group has consistently applied the accounting policies and methods of computation used for the preparation of last published annual consolidated financial statements for the year ended 31 December 2009.

Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

3 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.

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.

3 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 three months ended 31 March 2010 (Unaudited)							For the three months ended 31 March 2009 (Unaudited)						
Operating revenue	**77,190**	**417**	**2,572**	**-**	**-**	**-**	**80,179**	77,939	852	3,081	1,405	-	(1,405)	81,872
Interest income	**5**	**-**	**-**	**-**	**3,627**	**-**	**3,632**	73	-	-	3	9,378	-	9,454
Other income	**273**	**196**	**4**	**-**	**200**		**673**	51	197	13	33	36		330
Operating costs	**(63,564)**	**(345)**	**(1,690)**	**-**		**12**	**(65,587)**	(65,955)	(751)	(1,925)			1,214	(67,417)
Finance costs	**(10,799)**	**(2)**	**(5)**	**-**	**(106)**	**-**	**(10,912)**	(10,755)	(1)	(8)	(11)	(202)	-	(10,977)
Administrative expenses	**(3)**	**(259)**	**(922)**	**-**	**(3,729)**	**-**	**(4,913)**	(2)	(242)	(1,101)	(1,822)	(3,718)	-	(6,885)
Reportable segment profit	**3,102**	**7**	**(41)**	**-**	**(8)**	**12**	**3,072**	1,351	55	60	(392)	5,494	(191)	6,377
	As at 31 March 2010 (Unaudited)							As at 31 December 2009 (Audited)						
Reportable segment assets	**3,440,253**	**10,218**	**37,400**	**357,633**	**2,583,515**	**(3,596,073)**	**2,832,946**	3,177,164	9,756	30,464	358,046	2,348,922	(2,989,907)	2,934,445
Reportable segment liabilities	**3,432,245**	**10,990**	**23,483**	**356,168**	**898,578**	**(3,500,947)**	**1,220,517**	3,157,727	10,404	16,464	356,581	604,939	(2,894,974)	1,251,141

4 Operating revenue

	2010 AED'000 (Unaudited)	2009 AED'000 (Unaudited)
Vessel chartering	**77,190**	77,939
Ship agency	**2,572**	3,081
Commercial agency	**417**	852
	80,179	81,872

5 Voyage related direct costs

	2010 (Unaudited) AED'000	2009 (Unaudited) AED'000
Vessel chartering:		
Commission on freight	**2,225**	1,912
Bunkering	**603**	4,505
Port disbursement expenses	**49**	847
Cargo related survey, hold clearing charges etc.	**923**	30
	3,800	7,294

6 Other operating costs

	2010 (Unaudited) AED'000	2009 (Unaudited) AED'000
Vessel chartering:		
Ship running	**27,904**	28,569
Vessel depreciation	**19,354**	17,086
Bareboat hire	**5,707**	5,707
Dry docking	**3,183**	5,409
Ship repair	**3,605**	698
Ship agency:		
Operating cost	**1,544**	1,771
Vessel depreciation	**145**	132
Commercial agency	**345**	751
	61,787	60,123

7 Administrative expenses

	2010 (Unaudited) AED'000	2009 (Unaudited) AED'000
Staff salaries and benefits	**2,860**	3,975
Other administrative expenses	**1,972**	2,910
	4,832	6,885

8 Vessels and equipment

Vessels and equipment include AED 230,545 thousand (31 December 2009: AED 232,761 thousand) in respect of vessels under construction. During the three months ended 31 March 2010, the Group acquired assets with a cost of AED 4,993 thousand (three months ended 31 March 2009: AED 112,990 thousand). The amount of borrowing costs included in the additions during the period is AED 208 thousand (three months ended 31 March 2009: AED 3,355 thousand).

Vessels having net book value of AED 1,514,200 thousand (31 December 2009: AED 1,533,555 thousand) and vessels under construction at 31 March 2010 are mortgaged as security for term loan (note 8).

9 Term loans

The Group has obtained loans from three commercial banks for acquiring ships amounting to AED 1,073,965 thousand (31 December 2009: AED 1,132,470 thousand). These loans are secured against assignment of vessels mortgage and pledge of shares of subsidiaries owning these vessels.

The vessels which are under construction are secured against assignment of vessels building contract from ship yard, assignment of refund guarantee and pledge of shares of subsidiaries owning the vessel.

10 Related party transactions

Related parties represent associated companies, 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.

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.

Significant transactions carried out with related parties during the year were as follows:

	2010 (Unaudited) AED'000	2009 (Unaudited) AED'000
Ship management fees charged by a related party	**27,266**	-
Rent charged to a related party	**170**	-

Compensation of key management personnel

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

	2010 (Unaudited) AED'000	2009 (Unaudited) AED'000
Short-term benefits	**620**	378
Employees' end of service benefits	**16**	9
	636	387

11 Earnings per share

	2010 (Unaudited)	2009 (Unaudited)
Profit for the period (in thousands)	**AED 3,072**	AED 6,377
Weighted average number of shares outstanding during the period	**1,637,706,713**	1,655,000,000
Basic and diluted earnings per share	**AED 0.002**	AED 0.004

The Company has purchased 42,184,005 own shares during the period *(2009: Nil)* for a consideration of AED 25,359 thousand.

Weighted average number of shares

	2010 (Unaudited)	2009 (Unaudited)
Issued ordinary shares at 1 January	**1,655,000,000**	1,655,000,000
Effect of own shares held	**(17,293,287)**	-
Weighted average number of ordinary shares at 31 March	**1,637,706,713**	1,655,000,000

12 Commitments

Lease commitments

a. 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:

	2010 AED'000	2009 AED'000
Within one year	**13,707**	**23,378**
After one year but not more than five years	-	**37,085**

Capital expenditure commitments:

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

	2010 AED'000	2009 AED'000
Vessels being bought for future use	**215,208**	258,250
Other vessels	**-**	1,581

13 Contingencies

(i) 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.

(ii) During the previous year, the Group submitted a claim of AED 192,306 thousand for recovery of outstanding dues against Estate of a customer 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. However, the balance amount of AED 159,614 thousand is contingent on the outcome of the claim being approved and paid. There has been no change in the status of the claim since 31 December 2009.