

# Gulf Navigation Holding PJSC

Condensed consolidated interim  
financial statements

*31 March 2009*

# Gulf Navigation Holding PJSC

## Condensed consolidated interim financial statements

31 March 2009

<i>Contents</i>	<i>Page</i>
Report on Review of Interim Financial Information	1
Condensed consolidated interim statement of income (Unaudited)	2
Condensed consolidated interim statement of comprehensive income (Unaudited)	3
Condensed consolidated interim statement of financial position (Unaudited)	4
Condensed consolidated interim statement of cash flows (Unaudited)	5
Condensed consolidated interim statement of changes in equity (Unaudited)	6
Notes to the condensed consolidated interim financial statements (Unaudited)	7 - 14



P O Box 3800  
Level 32, Emirates Towers  
Sheikh Zayed Road  
Dubai  
United Arab Emirates

Telephone +971 (4) 4030 300  
Fax +971 (4) 3301 515  
Website www.ae-kpmg.com

## Report on Review of Interim Financial Information

The Board of Directors  
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 2009, 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. The condensed consolidated interim financial information of the Group as at and for the three month period ended 31 March 2008 and annual financial statement of the Group as at and for the year ended 31 December 2008 were reviewed and audited respectively by another auditor, whose report dated 20 April 2008 and 29 January 2009 expressed an unqualified conclusion and opinion thereon.

### 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 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

23 APR 2009

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

# Gulf Navigation Holding PJSC

## Condensed consolidated interim statement of income (Unaudited)

For the three months ended 31 March 2009

	<i>Notes</i>	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
Operating revenue	4	81,872	94,836
Operating costs	5	(67,417)	(45,978)
<b>Gross profit</b>		<b>14,455</b>	<b>48,858</b>
Other income	6	9,784	9,538
Provision for doubtful debts		-	(1,431)
Administrative expenses	7	(6,885)	(4,859)
Finance costs		(10,977)	(7,440)
<b>Profit for the period</b>		<b>6,377</b>	<b>44,666</b>
Earnings per share			
- Basic and diluted	11	<u>AED 0.004</u>	<u>AED 0.027</u>

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 2009

	<i>Notes</i>	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
<b>Profit for the period</b>		6,377	44,666
<b>Other comprehensive income</b>			
Net movement in fair value of cash flow hedges		6,182	(29,438)
Directors' fee		(4,910)	(4,386)
<b>Other comprehensive income / (expense) for the period</b>		<u>1,272</u>	<u>(33,824)</u>
<b>Total comprehensive income for the period</b>		<u><u>7,649</u></u>	<u><u>10,842</u></u>

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

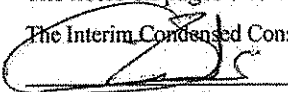
## Condensed consolidated interim statement of financial position (Unaudited)

As at 31 March 2009

	Notes	31 March 2009 (Unaudited) AED'000	31 December 2008 (Audited) AED'000
<b>Assets</b>			
<b>Non-current assets</b>			
Vessels and equipment	8	1,849,158	1,769,298
Goodwill		554,794	554,794
		<u>2,403,952</u>	<u>2,324,092</u>
<b>Current assets</b>			
Inventories		8,956	8,154
Trade and other receivable		82,318	56,674
Cash and cash equivalents		542,424	648,718
		<u>633,698</u>	<u>713,546</u>
<b>Total assets</b>		<u><u>3,037,650</u></u>	<u><u>3,037,638</u></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		1,655,000	1,655,000
Statutory reserve		28,891	28,891
Retained earnings		36,835	85,018
		<u>1,720,726</u>	<u>1,768,909</u>
Interest rate hedging fair value		(74,776)	(80,958)
<b>Total equity</b>		<u>1,645,950</u>	<u>1,687,951</u>
<b>Non-current liabilities</b>			
Term loans	9	1,100,909	1,061,471
Employees' end of service benefits		939	813
		<u>1,101,848</u>	<u>1,062,284</u>
<b>Current liabilities</b>			
Bank overdraft		-	17,508
Interest rate hedging fair value		74,776	80,958
Current portion of term loans		113,711	112,637
Accounts payable and accruals		95,451	70,386
Amounts due to related parties		5,914	5,914
		<u>289,852</u>	<u>287,403</u>
<b>Total liabilities</b>		<u>1,391,700</u>	<u>1,349,687</u>
<b>Total equity and liabilities</b>		<u><u>3,037,650</u></u>	<u><u>3,037,638</u></u>

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

The Interim Condensed Consolidated Financial Statements were authorised for issue on \_\_\_\_\_ 2009 by:

  
Abdullahi Al-Shuraim  
Chairman

23 APR 2009

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 2009

	Notes	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
<b>Operating activities</b>			
Profit for the period		6,377	44,666
<i>Adjustments for:</i>			
Depreciation		23,717	15,490
Provision for employees' end of service benefits		126	95
Profit on sale of vessels and equipment		-	(16)
Interest income		(9,454)	(9,194)
Finance costs		10,977	7,440
		<u>31,743</u>	<u>58,481</u>
<i>Operating profit before working capital changes</i>			
Change in inventories		(802)	(576)
Change in accounts receivable and prepayments		(25,644)	(735)
Change in accounts payable and accruals		7,678	(16,107)
Directors fees paid		(4,910)	-
Employees' end of service benefits paid		-	(9)
		<u>8,065</u>	<u>41,054</u>
<i>Net cash from operating activities</i>			
<b>Investing activities</b>			
Purchase of vessels and equipment	8	(112,990)	(169,899)
Proceeds from disposal of vessels and equipment	8	-	41
Interest received		9,454	9,194
		<u>(103,536)</u>	<u>(160,664)</u>
<i>Net cash used in investing activities</i>			
<b>Financing activities</b>			
Term loans proceeds	9	79,568	162,395
Term loans repayment		(29,646)	(25,620)
Dividends paid		(32,260)	-
Interest paid		(10,977)	(11,212)
		<u>6,685</u>	<u>125,563</u>
<i>Net cash from financing activities</i>			
<b>(Decrease) / increase in cash and cash equivalents</b>		<b>(88,786)</b>	<b>5,953</b>
Cash and cash equivalents at the beginning of period (refer note (i))		<u>631,210</u>	<u>736,959</u>
<b>Cash and cash equivalents at end of the period</b>		<u><b>542,424</b></u>	<u><b>742,912</b></u>
(i) Cash and cash equivalents as at 31 December 2008 comprise:			
Cash at bank and in hand		648,718	
Bank overdrafts		(17,508)	
<b>Cash and cash equivalents at 31 December 2008</b>		<u><b>631,210</b></u>	

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 2009

	Share Capital AED '000	Statutory reserve AED '000	Cumulative changes in fair values AED '000	Retained earnings AED '000	Proposed dividends AED '000	Total AED '000
Balance at 1 January 2008	1,655,000	14,068	(19,918)	10,767	115,850	1,775,767
Total comprehensive (expense) / income for the period	-	-	(29,438)	40,280	-	10,842
Transferred on approval in AGM	-	-	-	-	(115,850)	(115,850)
Balance at 31 March 2008	<u>1,655,000</u>	<u>14,068</u>	<u>(49,356)</u>	<u>51,047</u>	<u>-</u>	<u>1,670,759</u>
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 paid	-	-	-	(49,650)	-	(49,650)
<b>Balance at 31 March 2009</b>	<u><u>1,655,000</u></u>	<u><u>28,891</u></u>	<u><u>(74,776)</u></u>	<u><u>36,835</u></u>	<u><u>-</u></u>	<u><u>1,645,950</u></u>

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

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 1 Reporting entity

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 32<sup>nd</sup> 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.

<i>Subsidiaries</i>	<i>Country of incorporation</i>
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 Basis of preparation and accounting policies

#### **Basis of preparation**

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting. These 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 2008.

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 2 Basis of preparation and accounting policies (continued)

#### Basis of preparation (continued)

The functional currency of the Group is US Dollars. The balance sheet is also presented in United Arab Emirates Dirhams for the convenience of the readers. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66.

The Interim Condensed Consolidated Financial Statements have been prepared under the historical cost convention, except for derivative financial instruments.

#### Basis of consolidation

The condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2009 comprise the Company and its subsidiaries (together referred to as "the Group"). The 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 2008. However, the Group has adopted IAS 1 'Presentation of financial statements' (Revised 2007) and IFRS 8 'Operating segments' for the first time in preparation of these condensed consolidated interim financial statements. These new and revised IASs, which became applicable for annual periods beginning on or after 1 January 2009, effects the presentation and disclosure of these condensed consolidated interim financial statements and does not effect the Group's reported profit or loss or equity.

#### IAS 1 - *Presentation of financial statements (Revised 2007)*

The revised IAS introduces the term 'total comprehensive income' which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The Group has applied the revised IAS 1 retrospectively and has adopted two statement approach to present comprehensive income i.e. income statement and a separate statement of comprehensive income. Further the revised IAS 1 has also changed the title of 'balance sheet' to 'statement of financial position'.

#### IFRS 8 - *Operating segments*

The Group has presented the segment information in respect of its business segments.

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 2 Basis of preparation and accounting policies (continued)

#### 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 2008.

#### 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 2008.

### 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.



# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 4 Operating revenue

	2009 AED'000 (Unaudited)	2008 AED'000 (Unaudited)
Vessel chartering	77,939	90,463
Ship agency	3,081	3,680
Commercial agency	852	693
	<u>81,872</u>	<u>94,836</u>

### 5 Operating cost

	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
Vessel chartering:		
Ship running	28,569	15,623
Vessel depreciation	17,086	11,975
Bareboat hire	5,707	5,770
Commission on freight	1,912	3,421
Dry docking write off	5,409	2,831
Charter hire	-	2,055
Bunkering	4,505	156
Port disbursement expenses	847	
Other miscellaneous	728	979
Ship agency:		
Operating cost	1,771	2,436
Vessel depreciation	132	133
Commercial agency	751	599
	<u>67,417</u>	<u>45,978</u>

### 6 Other income

	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
Finance income	9,325	8,435
Other finance income	129	759
Miscellaneous income	330	344
	<u>9,784</u>	<u>9,538</u>

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

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 7 Administrative expenses

	2008 (Unaudited) AED'000	2007 (Unaudited) AED'000
Staff salaries and benefits	3,975	2,931
Other administrative expenses	2,910	1,928
	<u>6,885</u>	<u>4,859</u>

### 8 Vessels and equipment

Vessels and equipment include AED 187,778 thousand (31 December 2008: AED 529,499 thousand) in respect of vessels under construction.

During the three months ended 31 March 2009, the Group acquired assets with a cost of AED 112,990 thousand (three months ended 31 March 2008: AED 169,899 thousand). The amount of borrowing costs included in the additions during the period is AED 3,355 thousand (three months ended 31 March 2008: AED 3,772 thousand). During the period, the Group received 2 new vessels from MIPCO yard (Korea) which are chartered for 15 years.

Assets with a net book value of AED 25 thousand were disposed of by the Group during the three months ended 31 March 2008, resulting in a net gain on disposal of AED 16 thousand.

Vessels having net book value of AED 1,592,693 thousand (31 December 2008: AED 1,186,851 thousand) and vessels under construction at 31 March 2009 are mortgaged as security for term loan (note 9).

### 9 Term loans

The Group has obtained loans from three commercial banks for acquiring ships amounting to AED 1,214,620 thousand (31 December 2008: AED 1,174,108 thousand) These loan are secured against assignment of vessels mortgage and pledge of shares of subsidiaries owning these vessels.

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

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 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.

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

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.

### Compensation of key management personnel

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

	2009 (Unaudited) AED'000	2008 (Unaudited) AED'000
Short-term benefits	378	422
Employees' end of service benefits	9	14
	<u>387</u>	<u>436</u>

### 11 Earnings per share

	2009 (Unaudited)	2008 (Unaudited)
Profit for the period (in thousands)	<u>AED 6,377</u>	<u>AED 44,666</u>
Weighted average number of shares outstanding during the period	<u>1,655,000,000</u>	<u>1,655,000,000</u>
Basic and diluted earnings per share	<u>AED 0.004</u>	<u>AED 0.027</u>

# Gulf Navigation Holding PJSC

## Notes to the condensed consolidated interim financial statements (Unaudited)

For the three months ended 31 March 2009

### 12 Commitments

#### Lease commitments

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:

	2009 AED'000	2008 AED'000
Within one year	23,378	23,380
After one year but not more than five years	37,085	60,463
	<u>60,463</u>	<u>83,843</u>
Lease expenditure contracted for at the balance sheet date	<u>60,463</u>	<u>83,843</u>

#### Capital expenditure commitments:

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

	2009 AED'000	2008 AED'000
Vessels being bought for future use	258,250	258,250
Other vessels	1,581	1,581
	<u>259,831</u>	<u>259,831</u>

### 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 current quarter the Group has submitted a claim of AED 21.41 Million plus potential loss of future earnings for recovery of outstanding dues against a customer which had filed for bankruptcy in December 2008. As at 31 March 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, the outstanding receivable amounting to AED 21.41 million which represents approximately 10% of the total claim, is highly probable and accordingly no additional provision is considered necessary. As at 31 March 2009, the Group has recorded a provision of AED 7.42 million (31 December 2008: AED 7.42) against the outstanding receivables of AED 21.41 million (31 December 2008: AED 11.29 million).