

Gulf Navigation Holding PJSC

**Condensed consolidated interim financial information
for the three month period ended 31 March 2011**

Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the three month period ended 31 March 2011

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**Report on review of condensed consolidated interim
financial information to the shareholders of Gulf Navigation Holding PJSC**

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Gulf Navigation Holding PJSC (“the company”) and its subsidiaries (collectively referred to as ‘the group’) as of 31 March 2011 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended, prepared for legal filing purposes. 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 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 is not prepared, in all material respects, in accordance with IAS 34: ‘Interim Financial Reporting’.

PricewaterhouseCoopers
...11...MAY... 2011



Jacques E. Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	At 31 Mar 11 (Unaudited) AED'000	At 31 Dec 10 (Audited) AED'000
Assets			
Non-current assets			
Vessels and equipment	4	1,494,289	1,169,804
Goodwill		518,550	518,550
Investment in jointly controlled entities		139,154	139,027
Long term trade receivable	5	29,907	29,907
		<u>2,181,900</u>	<u>1,857,288</u>
Current assets			
Inventories		31,588	18,419
Trade and other receivables	5	96,295	80,075
Term deposit		75,000	75,000
Cash and cash equivalents		130,116	203,555
		<u>332,999</u>	<u>377,049</u>
Assets of disposal group classified as held for sale		175,681	175,681
		<u>508,680</u>	<u>552,730</u>
Total assets		<u>2,690,580</u>	<u>2,410,018</u>
Equity and liabilities			
Equity attributable to equity holders of the group			
Share capital		1,655,000	1,655,000
Statutory reserve		31,546	31,546
Reserve for own shares		(46,706)	(46,706)
Accumulated losses		(230,586)	(230,807)
		<u>1,409,254</u>	<u>1,409,033</u>
Hedging reserve for interest rate swaps		(51,887)	(59,062)
Total equity		<u>1,357,367</u>	<u>1,349,971</u>
Non-current liabilities			
Borrowings	6	1,001,620	804,418
Employees' end of service benefits		1,160	1,092
		<u>1,002,780</u>	<u>805,510</u>
Current liabilities			
Trade and other payables		71,434	54,223
Due to related parties	7	14,113	16,109
Borrowings	6	70,904	52,400
Bank overdraft	13	55,940	-
Fair valuation of interest rate swap hedges		51,887	59,062
		<u>264,278</u>	<u>181,794</u>
Borrowing of disposal group classified as held for sale		66,155	72,743
Total liabilities		<u>1,333,213</u>	<u>1,060,047</u>
Total equity and liabilities		<u>2,690,580</u>	<u>2,410,018</u>

The condensed consolidated interim financial information were approved by the Board of Directors on 10.15.2011 and signed on its behalf by:


Abdullah Al-Shuraim

The notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial information.

(2)

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement for the three month period ended 31 March 2011

	Note	31 Mar 11 (Unaudited) AED'000	31 Mar 10 (Unaudited) AED'000
Operating revenue	8	68,686	80,179
Voyage related direct costs	9	(9,570)	(3,800)
Other operating costs	10	(43,958)	(61,787)
Gross profit		<u>15,158</u>	<u>14,592</u>
Other income		771	673
Share of profit/(loss) in jointly controlled entities		127	(81)
Administrative expenses	11	(5,227)	(4,832)
Operating profit for the period		<u>10,829</u>	<u>10,352</u>
Finance income		1,271	3,632
Finance costs		(11,879)	(10,912)
Finance costs – net		<u>(10,608)</u>	<u>(7,280)</u>
Profit for the period		<u>221</u>	<u>3,072</u>
Earnings per share			
- Basic and diluted	12	<u>0.00014</u>	<u>0.002</u>

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Condensed consolidated interim statement of comprehensive income for the three month period ended 31 March 2011

	31 Mar 11 (Unaudited) AED'000	31 Mar 10 (Unaudited) AED'000
Profit for the period	221	3,072
Other comprehensive income:		
Effective portion of change in fair value of interest rate swap hedges	13,762	7,018
Interest rate swap hedge reserve recycled to income statement	(6,587)	(7,222)
Other comprehensive income/(loss) for the period	<u>7,175</u>	<u>(204)</u>
Total comprehensive income for the period	<u><u>7,396</u></u>	<u><u>2,868</u></u>

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Condensed consolidated interim statement of changes in equity for the three month period ended 31 March 2011

	Share capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Reserve for own shares AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
Balance at 1 January 2010	1,655,000	31,546	(57,591)	-	54,349	1,683,304
Comprehensive income:						
Total comprehensive income for the period	-	-	(204)	-	3,072	2,868
Transactions with owners						
Own shares purchased	-	-	-	(25,359)	-	(25,359)
Dividend	-	-	-	-	(48,384)	(48,384)
Balance at 31 March 2010 (unaudited)	<u>1,655,000</u>	<u>31,546</u>	<u>(57,795)</u>	<u>(25,359)</u>	<u>9,037</u>	<u>1,612,429</u>
Balance at 1 January 2011	1,655,000	31,546	(59,062)	(46,706)	(230,807)	1,349,971
Total comprehensive income for the period	-	-	7,175	-	221	7,396
At 31 March 2011 (unaudited)	<u>1,655,000</u>	<u>31,546</u>	<u>(51,887)</u>	<u>(46,706)</u>	<u>(230,586)</u>	<u>1,357,367</u>

The notes on pages 7 to 16 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2011

	Note	31 Mar 11 (Unaudited) AED'000	31 Mar 10 (Unaudited) AED'000
Operating activities			
Profit for the period		221	3,072
Adjustments for:			
Depreciation		14,704	25,234
Share of (profit)/loss in jointly controlled entities		(127)	81
Provision for employees' end of service benefits		125	129
Finance income		(1,271)	(3,632)
Finance costs		11,879	10,912
		<hr/>	<hr/>
Operating profit before working capital changes and payment of employees end of service benefits		25,531	35,796
Employees end of service benefits paid		(57)	-
Changes in working capital:			
Inventories		(13,169)	(1,272)
Trade and other receivables		(16,220)	(10,905)
Accounts payable and accruals		17,211	1,102
Due to related parties		(1,996)	-
		<hr/>	<hr/>
Net cash from operating activities		11,300	24,721
Investing activities			
Purchase of vessels and equipment	4	(339,189)	(4,993)
Interest received		1,271	3,632
		<hr/>	<hr/>
Net cash used in investing activities		(337,918)	(1,361)
Financing activities			
Term loans availed		233,456	-
Repayment of borrowings		(24,338)	(58,505)
Repurchase of own shares		-	(25,360)
Dividends paid		-	(28,144)
Interest paid		(11,879)	(10,912)
		<hr/>	<hr/>
Net cash from /(used in) financing activities		197,239	(122,921)
Decrease in cash and cash equivalents		(129,379)	(99,561)
Cash and cash equivalents at beginning of period		203,555	406,792
		<hr/>	<hr/>
Cash and cash equivalents at end of period	14	74,176	307,231
		<hr/> <hr/>	<hr/> <hr/>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011

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 condensed consolidated interim financial information:

<i>Subsidiaries</i>	<i>Country of incorporation</i>
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 Eyada Corporation	Panama
Gulf Sieb Shipping Inc	Panama
Gulf Jash Shipping Inc	Panama
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Mishref Shipping Inc	Marshal Islands
Gulf Mizwar Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Riyad Shipping Inc	Marshal Islands
Gulf Safwa Shipping Inc	Marshal Islands
Gulf Sheba Shipping Limited	Hong Kong
Gulf Navigation Holding PJSC(Br)	Kingdom of Saudi Arabia

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

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

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the three month period ended 31 March 2011 has been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated interim financial information do not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group at and for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial information have been prepared under the historical cost convention, except for derivative financial instruments which are stated at fair value.

a) Standards, interpretations and amendments effective in 2011

- IAS 24 (amendment), 'Related party disclosures' (effective 1 January 2011)

Management has assessed the impact of the above new standard on the Group's condensed consolidated interim financial information and has concluded that the effect on the Group's condensed consolidated interim financial information is not likely to be material.

b) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted

- IFRS 9, 'Financial instruments' (effective 1 January 2013)

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the condensed consolidated interim financial information of the Group and the timing of its adoption.

Functional and presentation currency

Items included in the consolidated interim financial information of the Group are measured using the currency of primary economic environment in which the Group operates ('the functional currency'). Since most of the transactions of the Group are denominated in US Dollar ("USD") or currency pegged to USD, the functional currency of the Group is US Dollars. However, the condensed consolidated interim financial information are presented in United Arab Emirates Dirhams ("AED") being the presentation currency. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and United Arab Emirates Dirhams.

Basis of consolidation

The condensed consolidated interim financial information at and for the three month period ended 31 March 2011 comprises results of the Company and its subsidiaries (together referred to as "the Group"). The condensed interim financial information of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All inter-company transactions, profits and balances are eliminated on consolidation.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011

2 Basis of preparation and accounting policies (continued)

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 in the preparation of the last published annual consolidated financial statements for the year ended 31 December 2010.

Estimates and judgements

The preparation of interim financial information 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 information, 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 at and for the year ended 31 December 2010.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements at and for the year ended 31 December 2010.

3 Operating segments

Business segments

The Group comprises the following main business segments:

- *Vessel owning & chartering*: Chartering of the vessels to customers;
- *Commercial*: Trading of goods such as supplies, chemicals, gases required for ships;
- *Agency*: Providing agency services to ships calling at ports;
- *Other*: Includes management of all divisions and administrative activities.

Geographical segments

The chief operating decision maker of the Group ("Group's Executive Committee") does not consider the geographical distribution of the Group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

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

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011

3 Operating segments (continued)

Information about reportable segments All figures in AED '000

	Vessel owning and chartering				Inter segment elimination				Total
	For the three month period ended 31 March 2011 (Unaudited)				For the three month period ended 31 March 2010 (Unaudited)				
	Commercial	Agency	Other	Total	Commercial	Agency	Other	Total	
Operating revenue	64,681	488	3,517	-	68,686	417	2,572	-	80,179
Interest income	3	-	-	1,268	1,271	-	-	-	3,632
Other income	89	134	1	547	771	196	4	200	673
Operating costs	(51,057)	(385)	(2,100)	-	(53,528)	(345)	(1,690)	-	(65,587)
Finance costs	(11,196)	-	(7)	(676)	(11,879)	(2)	(5)	(106)	(10,912)
Administrative expenses	(3)	(250)	(857)	(3,990)	(5,100)	(259)	(922)	(3,729)	(4,913)
Reportable segment profit	2,517	(13)	554	(2,851)	221	7	(41)	12	3,072
	At 31 March 2011 (Unaudited)				At 31 December 2010 (Audited)				
Reportable segment assets	4,295,884	9,598	40,540	3,416,003	2,690,580	9,333	39,926	3,376,697	2,410,018
Reportable segment liabilities	4,288,464	10,390	26,026	2,042,764	1,333,213	10,053	23,599	1,684,808	1,060,047

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

4 Vessels and equipment

During the three month period ended 31 March 2011, the Group acquired assets with a cost of AED 339,189 thousand (three month period ended 31 March 2010: AED 4,993 thousand). The amount of borrowing costs included in the additions during the period is Nil (three month period ended 31 March 2010: AED 208 thousand).

Vessels with a book value of AED 1,629,666 thousand (31 December 2010: AED 1,306,043 thousand) are mortgaged as security for borrowings (note 6).

5 Trade and other receivables

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Non-current		
Trade receivable (i)	29,907	29,907
Current		
Trade receivables	41,517	37,258
Awards receivables	5,914	5,914
Advances to suppliers	3,851	1,036
Prepaid expenses	15,970	14,818
Other receivables	29,043	21,049
	<u>96,295</u>	<u>80,075</u>

- (i) During 2009, the Group submitted a claim of AED 192,306 thousand for the recovery of outstanding dues against a customer (Atlas Shipping A/S) which had filed for bankruptcy in December 2008. Based on the discussion between management and the lawyers representing the Group, management believes that, although the recovery of the total claim is contingent on the conclusion of the liquidation of the customer, an amount of AED 32,652 thousand which represents approximately 17% of the total claim, is highly probable and virtually certain. Accordingly, management accounted for a receivable of 32,652 thousand in the prior year. This receivable is stated at its net present value, net off discount amounting to AED 2,745 thousand and is classified as a long term trade receivable as it is expected to be received by 31 December 2012.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

6 Borrowings

The Group has obtained loans amounting to AED 1,138,679 thousand (31 December 2010: AED 929,561 thousand) from four commercial banks to acquire ships. These loans are secured against the vessels and the pledge of shares of the subsidiaries owning these vessels.

7 Related party transactions and balances

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

Significant related party transactions primarily include management fees charged by the jointly controlled entity amounting to AED 1,932 thousand (2010: AED 1,976 thousand) for managing the Group's vessels.

The outstanding balances of amounts due to related parties are given below:

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Shareholders of Gulf Navigation LLC (i)	5,914	5,914
Gulf Stolt Ship Management JLT	7,854	10,068
Due to Directors	345	127
	<u>14,113</u>	<u>16,109</u>

- (i) Amounts due to the shareholders of Gulf Navigation LLC represent a payable in respect of an amount of AED 5,914 thousand (2010: 5,914 thousand) retained to cover the extent of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represent amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

7 Related party transactions (continued)

Compensation of key management personnel

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

	31 March 2011 AED'000 (Unaudited)	31 March 2010 AED'000 (Unaudited)
Short-term benefits	500	620
Employees' end of service benefits	16	16
	<u>516</u>	<u>636</u>

8 Operating revenue

Vessel chartering	64,681	77,190
Ship agency	3,517	2,572
Commercial agency	488	417
	<u>68,686</u>	<u>80,179</u>

9 Voyage related direct costs

Vessel chartering:		
Commission on freight	1,334	2,225
Bunkering	5,768	603
Port disbursement expenses	1,656	49
Cargo related survey, hold cleaning charges etc	812	923
	<u>9,570</u>	<u>3,800</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

	31 March 2011 AED'000 (Unaudited)	31 March 2010 AED'000 (Unaudited)
10 Other operating costs		
Vessel chartering:		
Ship running	26,079	27,904
Vessel depreciation	13,672	19,354
Bareboat hire	-	5,707
Dry docking write off	-	3,183
Ship repair	1,725	3,605
Ship agency:		
Operating cost	1,920	1,544
Vessel depreciation	176	145
Commercial agency	386	345
	<u>43,958</u>	<u>61,787</u>
11 Administrative expenses		
Staff salaries and benefits	3,184	2,860
Other administrative expenses	2,043	1,972
	<u>5,227</u>	<u>4,832</u>
12 Earnings per share		
Profit for the period (in thousands)	221	3,072
Weighted average number of shares outstanding during the period	Number <u>1,572,575,917</u>	Number <u>1,637,706,713</u>
Basic and diluted earnings per share	<u>AED 0.00014</u>	<u>AED 0.002</u>
13 Bank overdraft		

Bank overdraft carries interest at an effective interest rate between 3% to 3.5% (2010: Nil) per annum and is secured by AED 75,000 thousand Murabaha deposit held with the bank.

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

14 Cash and cash equivalents

	31 March 2011 (Unaudited) AED'000	31 March 2010 (Unaudited) AED'000
For the purposes of statement of cash flows cash and cash equivalents comprise:		
Cash at bank and in hand	130,116	313,355
Bank overdrafts	(55,940)	(6,124)
	<u>74,176</u>	<u>307,231</u>

15 Operating leases as lessor

The Group leases its marine vessels under operating leases (time charters). Time charters run for periods ranging from one month to fifteen years. The lease rental is usually negotiated to reflect market rentals upon entering into/renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases are as follows:

	31 March 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
Not later than one year	152,402	110,371
Between one year and five years	444,544	406,112
Beyond five years	770,642	795,677
	<u>1,367,588</u>	<u>1,312,160</u>

16 Commitments

Estimated capital expenditure contracted for at the period end date but not provided for:

	31 March 2011 AED'000	31 December 2010 AED'000
Vessels being bought for future use	<u>-</u>	<u>337,295</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2011 (continued)

17 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. 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 proceedings 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.

18 Comparatives

Comparative figures have been re-classified, where necessary, to conform to the current period's classification, as follows:

Term deposit of AED 75,000 thousand has been reclassified from 'Cash and cash equivalents' to 'Term deposit' as it relates to Murabaha deposit held with the bank in relation with the Group's overdraft facility.