

Gulf Navigation Holding PJSC

**Condensed consolidated interim financial information
for the six month period ended 30 June 2013**

Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the six month period ended 30 June 2013

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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 30 June 2013 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended. 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’.

Emphases of matter

We draw attention to Note 2 to the condensed consolidated interim financial information, which states that the Group incurred a loss of AED 29,698 thousand during the six month period ended 30 June 2013. As of that date, the Group had accumulated losses of AED 507,370 thousand and a net current liability position at 30 June 2013 of AED 854,522 thousand. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates (1)
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy



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

Emphases of matter (continued)

We also draw attention to Note 5 to the condensed consolidated interim financial information which describes the uncertainty related to the outcome of an arbitration hearing in relation to the construction of two new vessels and the recoverability of amounts advanced by the company of AED 106,506 thousand. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers

15 August..... 2013

A handwritten signature in black ink, appearing to read 'Amin H. Nasser'.

Amin H. Nasser

Registered Auditor Number 307

Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	At 30 June 13 (Unaudited) AED'000	At 31 Dec 12 (Audited) AED'000
Assets			
Non-current assets			
Vessels, property and equipment	5	1,464,855	1,500,085
Goodwill	6	428,803	428,803
Investment in jointly controlled entities		105,013	111,902
Due from a related party	9	25,631	25,631
		<u>2,024,302</u>	<u>2,066,421</u>
Current assets			
Inventories		10,052	9,290
Trade and other receivables	7	42,868	44,944
Due from related parties	9	4,649	3,671
Term deposit		127	25,927
Cash and cash equivalents		41,070	50,215
		<u>98,766</u>	<u>134,047</u>
Total assets		<u><u>2,123,068</u></u>	<u><u>2,200,468</u></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
Accumulated losses		(507,370)	(477,672)
		<u>1,179,176</u>	<u>1,208,874</u>
Hedging reserve for interest rate swaps		(15,633)	(29,148)
Total equity		<u>1,163,543</u>	<u>1,179,726</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,250	1,412
Interest rate swap liabilities		4,987	7,105
		<u>6,237</u>	<u>8,517</u>
Current liabilities			
Trade and other payables		60,900	50,448
Due to related parties	9	11,915	9,589
Interest rate swap liabilities		10,646	22,043
Borrowings	8	869,827	930,145
		<u>953,288</u>	<u>1,012,225</u>
Total liabilities		<u>959,525</u>	<u>1,020,742</u>
Total equity and liabilities		<u><u>2,123,068</u></u>	<u><u>2,200,468</u></u>

The condensed consolidated interim financial information was approved by the Board of Directors on 15. Aug. 2013 and signed on its behalf by:

Hazza Al Qahtani
Chairman

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement for the six month period ended 30 June 2013

	Note	<u>Six month ended</u>		<u>Three month ended</u>	
		30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
Operating revenue	10	77,490	106,948	39,413	52,162
Voyage related direct costs	11	(824)	(8,774)	(297)	(498)
Other operating costs	12	(71,245)	(69,659)	(33,510)	(36,114)
Gross profit		<u>5,421</u>	<u>28,515</u>	<u>5,606</u>	<u>15,550</u>
Other income		6,451	982	5,586	583
General and administrative expenses	13	(10,057)	(9,978)	(5,513)	(5,111)
Operating profit for the period		<u>1,815</u>	<u>19,519</u>	<u>5,679</u>	<u>11,022</u>
Finance income		3,623	1,191	3,190	542
Finance costs		(28,247)	(29,137)	(13,687)	(14,292)
Finance costs – net		<u>(24,624)</u>	<u>(27,946)</u>	<u>(10,497)</u>	<u>(13,750)</u>
Share of loss in jointly controlled entities		(6,889)	(3,939)	(5,254)	(1,808)
Loss for the period		<u>(29,698)</u>	<u>(12,366)</u>	<u>(10,072)</u>	<u>(4,536)</u>
Loss per share					
- Basic and diluted (AED)	15	<u>(0.0179)</u>	<u>(0.0079)</u>	<u>(0.0061)</u>	<u>(0.0029)</u>

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income for the six month period ended 30 June 2013

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
Loss for the period	(29,698)	(12,366)	(10,072)	(4,536)
Other comprehensive income:				
Effective portion of change in fair value of interest rate swap hedges	25,274	21,028	12,706	11,026
Interest rate swap hedge reserve recycled to the income statement	(11,759)	(12,662)	(5,935)	(6,275)
Other comprehensive income for the period	<u>13,515</u>	<u>8,366</u>	<u>6,771</u>	<u>4,751</u>
Total comprehensive (loss) / profit for the period	<u>(16,183)</u>	<u>(4,000)</u>	<u>(3,301)</u>	<u>215</u>

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Condensed consolidated interim statement of changes in equity for the six month period ended 30 June 2013

	Share capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Reserve for own shares AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2012	1,655,000	31,546	(47,804)	(46,706)	(303,502)	1,288,534
Comprehensive income						
Loss for the period	-	-	-	-	(12,366)	(12,366)
<i>Other comprehensive income</i>						
Hedge reserve	-	-	8,366	-	-	8,366
Total comprehensive income/(loss) for the period	-	-	8,366	-	(12,366)	(4,000)
Transactions with owners						
Sale of treasury shares	-	-	-	-	2,242	2,242
Transfer of reserve to accumulated losses on sale of treasury shares	-	-	-	4,692	(4,692)	-
Balance at 30 June 2012 (unaudited)	<u>1,655,000</u>	<u>31,546</u>	<u>(39,438)</u>	<u>(42,014)</u>	<u>(318,318)</u>	<u>1,286,776</u>
Balance at 1 January 2013	1,655,000	31,546	(29,148)	-	(477,672)	1,179,726
Comprehensive income						
Loss for the period	-	-	-	-	(29,698)	(29,698)
<i>Other comprehensive income</i>						
Hedge reserve	-	-	13,515	-	-	13,515
Total comprehensive income/(loss) for the period	-	-	13,515	-	(29,698)	(16,183)
Balance at 30 June 2013 (unaudited)	<u>1,655,000</u>	<u>31,546</u>	<u>(15,633)</u>	<u>-</u>	<u>(507,370)</u>	<u>1,163,543</u>

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Condensed consolidated interim statement of cash flows for the six month period ended 30 June 2013

	Note	Six month ended	
		30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
Operating activities			
Loss for the period		(29,698)	(12,366)
Adjustments for:			
Depreciation		31,975	32,114
Share of loss in jointly controlled entities		6,889	3,939
Profit on sale of property		(242)	-
Provision for employees' end of service benefits		106	200
Finance income		(872)	(1,191)
Finance costs		28,247	29,137
		<hr/>	<hr/>
Operating cash flows before working capital changes and payment of employees' end of service benefits		36,405	51,833
Payment for employees' end of service benefits		(268)	(133)
Changes in working capital:			
Inventories		(762)	13,670
Trade and other receivables		2,076	353
Due from related parties (excluding interest receivable)		(124)	2,677
Trade and other payables		10,452	(14,827)
Due to related parties		2,326	3,596
		<hr/>	<hr/>
Net cash generated from operating activities		50,105	57,169
Investing activities			
Purchase of vessels and equipment	5	(3,823)	(1,672)
Proceeds from disposal of property		7,320	-
Interest received		18	332
Withdrawal of term deposit		25,800	75,749
		<hr/>	<hr/>
Net cash generated from investing activities		29,315	74,409
Financing activities			
Repayment of borrowings		(60,318)	(35,721)
Interest paid		(28,247)	(29,137)
Proceeds from sale of shares		-	2,242
		<hr/>	<hr/>
Net cash used in financing activities		(88,565)	(62,616)
Net (decrease) / increase in cash and cash equivalents		(9,145)	68,962
Cash and cash equivalents at beginning of the period		50,215	(19,978)
		<hr/>	<hr/>
Cash and cash equivalents at end of the period		41,070	48,984
		<hr/> <hr/>	<hr/> <hr/>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013

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%

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the six month period ended 30 June 2013 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. This condensed consolidated interim financial information does 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 for the year ended 31 December 2012, 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.

Going concern

The Group's condensed consolidated interim financial information has been prepared on a going concern basis, however, given the conditions and events described below there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Group incurred a loss of AED 29,698 thousand during the six month period ended 30 June 2013 and, as of that date; the Group had accumulated losses of AED 507,370 thousand. The ability of the Group to continue as a going concern was reliant upon the continued availability of external debt financing. At 30 June 2013, the Group is in breach of the terms of the loan agreement with its lenders. Further, subsequent to the period end the Group was unable to make payment of a loan instalment of USD 1,832 thousand (AED 6,706 thousand) which was due in July 2013 (Note 8). These breaches have given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 30 June 2013. These events have resulted in the Group having a net current liability position at 30 June 2013 of AED 854,522 thousand. If the Group is not able to agree the required covenant amendments, and in the absence of other financing alternatives, the Group would be dependent on market based asset values to repay its borrowings. As a result, there exists a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise.

The Group continues to be in discussion with the lenders to eliminate the above mentioned breach to remove the possibility of immediate demand of payment. As of the date of authorisation of this condensed consolidated interim financial information, the discussions with the lenders are in progress with the expectation that an agreement will be reached with the lenders in second half of 2013. The Directors are considering various options for raising finance in the second half of 2013 to fund the Group's working capital and future investment requirements. The Directors, after reviewing its cash flow forecasts and strategic plans for a period of not less than 12 months, from the date of the signing of this condensed consolidated interim financial information, have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

2 Basis of preparation and accounting policies (continued)

a) *New standards, amendments to published standards and interpretations*

The following new standard is mandatory for the first time for the financial year beginning 1 January 2013.

- IFRS 13, 'Fair value measurement'.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the Group*

Certain new amendments to existing standards have been published and are mandatory for the Group's accounting period beginning after 1 January 2013 or later period but have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2015); and
- IAS 32, (amendment), 'Financial instruments; Presentation' (effective 1 January 2014).

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

The Group is assessing the impact of the above standards, amendments and interpretations to published standards on the Group's condensed consolidated interim financial information.

Functional and presentation currency

Items included in the interim financial information of each of the Group's subsidiaries and joint ventures (together, "entities") are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). Since most of the transactions of the entities are denominated in US Dollar ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the condensed consolidated interim financial information of the Group is presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. 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 AED.

Basis of consolidation

The condensed consolidated interim financial information at and for the six month period ended 30 June 2013, 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 six month period ended 30 June 2013 (continued)

2 Basis of preparation and accounting policies (continued)

Basis of consolidation (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 2012.

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 this 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 for the year ended 31 December 2012.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2012.

3 Critical accounting estimates and judgements

Impairment of vessels

Management assesses the impairment of vessels whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in an asset's market value beyond that would be expected from the passage of time or normal use;
- Significant changes in the use of its assets or the strategy of the operation to which the asset belongs;
- Significant changes in the technology and regulatory environments; and
- Evidence from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

If such an indication exists, an impairment test is completed by comparing the carrying values of the cash generating unit with their recoverable amounts. The recoverable amount of the asset taken into consideration is its value-in-use.

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

3 Critical accounting estimates and judgements (continued)

Estimated impairment of goodwill

Management reviews the business performance based on type of business. Management has identified the Vessel owning and chartering division, Commercial division and Agency division as the main types of business. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

The Group tests annually and whenever there is an indication the goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGU) have been determined based on value in use calculations. These calculations require the use of estimates (Note 6).

If the budgeted gross margin used in the value in use calculation of the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 30 June 2013, the Group would have recognised impairment against goodwill of AED 73,820 thousand.

If the estimated cost of capital used in determining the pre-tax discount rate for the vessel chartering CGU had been 1% higher than management's estimates, the Group would have recognised impairment against goodwill of AED 136,568 thousand.

4 Operating segments

Business segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Group's Executive Committee who makes strategic decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group comprises the following main business segments:

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

Vessel owning and chartering, commercial and agency meet criteria required by IFRS 8, 'Operating Segments' and reported as separate operating segments. Other business segment does not meet the quantitative thresholds required by IFRS 8, and the results of its operations are included in the 'other' column.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

4 Operating segments (continued)

Information about reportable segments

All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
For the six month period ended 30 June 2013 (Unaudited)						For the six month period ended 30 June 2012 (Unaudited)						
Operating revenue	63,103	1,227	13,160	-	-	77,490	96,179	1,132	9,637	-	-	106,948
Finance income	2,760	-	-	863	-	3,623	10	-	-	1,181	-	1,191
Other income	5,420	323	30	678	-	6,451	183	331	32	436	-	982
Operating costs	(63,049)	(865)	(8,193)	-	38	(72,069)	(72,254)	(857)	(5,350)	-	28	(78,433)
Finance costs	(27,023)	(1)	(20)	(1,203)	-	(28,247)	(29,064)	(1)	(16)	(56)	-	(29,137)
General and administrative expenses	(660)	(447)	(1,898)	(7,052)	-	(10,057)	(832)	(437)	(1,796)	(6,913)	-	(9,978)
Share of loss in jointly controlled entities	-	-	-	(6,889)	-	(6,889)	-	-	-	(3,939)	-	(3,939)
Reportable segment (loss) / profit	<u>(19,449)</u>	<u>237</u>	<u>3,079</u>	<u>(13,603)</u>	<u>38</u>	<u>(29,698)</u>	<u>(5,778)</u>	<u>168</u>	<u>2,507</u>	<u>(9,291)</u>	<u>28</u>	<u>(12,366)</u>
At 30 June 2013 (Unaudited)						At 31 December 2012 (Audited)						
Reportable segment assets	<u>4,225,023</u>	<u>13,554</u>	<u>64,955</u>	<u>3,592,432</u>	<u>(5,772,896)</u>	<u>2,123,068</u>	<u>4,141,423</u>	<u>11,676</u>	<u>57,875</u>	<u>3,643,679</u>	<u>(5,654,185)</u>	<u>2,200,468</u>
Reportable segment liabilities	<u>4,330,116</u>	<u>13,765</u>	<u>38,688</u>	<u>2,312,970</u>	<u>(5,736,014)</u>	<u>959,525</u>	<u>4,316,814</u>	<u>12,125</u>	<u>34,686</u>	<u>2,274,382</u>	<u>(5,617,265)</u>	<u>1,020,742</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

4 Operating segments (continued)

Information about reportable segments

All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	For the three month period ended 30 June 2013 (Unaudited)						For the three month period ended 30 June 2012 (Unaudited)					
Operating revenue	31,773	645	6,995	-	-	39,413	46,449	677	5,036	-	-	52,162
Finance income	2,755	-	-	435	-	3,190	5	-	-	537	-	542
Other income	5,191	161	16	218	-	5,586	183	161	21	218	-	583
Operating costs	(28,829)	(452)	(4,545)	-	19	(33,807)	(33,408)	(510)	(2,709)	-	15	(36,612)
Finance costs	(12,579)	(1)	(8)	(1,099)	-	(13,687)	(14,279)	(1)	(8)	(4)	-	(14,292)
Administrative expenses	(495)	(224)	(984)	(3,810)	-	(5,513)	(681)	(209)	(919)	(3,302)	-	(5,111)
Share of loss in jointly controlled entities	-	-	-	(5,254)	-	(5,254)	-	-	-	(1,808)	-	(1,808)
Reportable segment (loss) / profit	<u>(2,184)</u>	<u>129</u>	<u>1,474</u>	<u>(9,510)</u>	<u>19</u>	<u>(10,072)</u>	<u>(1,731)</u>	<u>118</u>	<u>1,421</u>	<u>(4,359)</u>	<u>15</u>	<u>(4,536)</u>

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Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

5 Vessels, property and equipment

Vessels with a book value of AED 1,349,439 (31 December 2012: AED 1,349,439 thousand) are mortgaged as security for borrowings (Note 8).

During the period, a building with a net book amount of AED 7,078 thousand (2012: Nil) was sold for a consideration of AED 7,320 thousand to a related party (Note 9) and leased back on an operating lease.

The Group's management had previously contracted with a shipyard ("the Contractor") for the construction of two new vessels. The carrying amount of advances recorded as part of capital-work-in-progress as of 30 June 2013 is AED 106,506 thousand (31 December 2012: AED 106,506 thousand). Discussions have been continuing with the Contractor in relation to new contractual terms. However, alongside these discussions, the Contractor issued Notices of Termination for these two contracts and filed a claim to retain the first instalment and/or damages for any loss suffered. The Group responded with its own legal action in response and preparations have been made for an arbitration hearing in London. The Group received a legal opinion on this issue and it believes that there are good technical arguments why the Notices of Termination were wrongful and were sent by the Contractor in repudiatory breach of the Shipbuilding Contracts. Based on this, the Group is confident that the advance given by the Group to the Contractor is recoverable and that there are no further commitments under the existing contracts.

6 Goodwill

Management reviews the business performance based on type of business. Management has identified the Vessel owning and chartering division, Commercial division and Agency division as the main types of business. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

The recoverable amount of the vessel owning and chartering CGU has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on estimated charter rates using currently available market information and historical trends for vessels which are not on long term time charter. However, with respect to vessels which are on time charter, for more than five years, a period till the end of their charter party agreement has been used for the value in use calculations. Cash flows beyond the signed charter party agreement are extrapolated using the estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

6 Goodwill (continued)

Key assumptions used in value in use calculations are:

Gross margin

Gross margin is based on the current level of activity and estimated future charter rates.

Growth rate	30 June 2013	31 December 2012
For revenue beyond the five year period and charter party agreement	2.5%	0% to 2.5%
For operating costs beyond the budget period	2.5%	2.5%

Discount rates

7.5% (2012: 7.5%) reflects management's benchmark for evaluating investment proposals.

Based on the above computation, no impairment charge arose in the carrying value of goodwill. For sensitivity analysis, please refer to Note 3.

7 Trade and other receivables

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Current		
Trade receivables (i)	24,389	32,962
Less: provision for impairment of trade receivables	(15,075)	(17,855)
	<u>9,314</u>	<u>15,107</u>
Awards receivable	5,914	5,914
Advances to suppliers	413	1,191
Prepayments	4,082	1,931
Other receivables	23,145	20,801
	<u>42,868</u>	<u>44,944</u>

(i) It includes an amount of AED 1,817 thousand receivable from the Estate of Atlas Shipping A/S which was received in the third quarter of 2013.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

8 Borrowings

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Current		
Borrowings	869,827	930,145

The movement of bank borrowings are summarised as below

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2013	207,541	531,893	190,711	930,145
Less: repaid during the period	(9,080)	(42,352)	(8,886)	(60,318)
Balance at 30 June 2013	198,461	489,541	181,825	869,827
Average nominal interest rate	3.60%	1.05%	3.60%	2.75%
Balance at 1 January 2012	237,031	567,861	219,837	1,024,729
Less: repaid during the year	(29,490)	(35,968)	(29,126)	(94,584)
Balance at 31 December 2012	207,541	531,893	190,711	930,145
Average nominal interest rate	3.60%	1.05%	3.60%	2.75%

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire ships amounting to AED 402,600 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. A repayment of AED 9,080 thousand has been made during the six month period ended 30 June 2013.

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire ships amounting to AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand on 31 March 2019. During the current period, the repayment of AED 42,352 thousand includes AED 23,869 thousand, which has been paid as an early payment under the provision of an agreement drawn to reset the original debt covenants.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

8 Borrowings (continued)

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire ships amounting to AED 337,295 thousand. This loan carries interest at LIBOR plus 2.8% per annum and is payable in 23 quarterly instalments commencing from 26 April 2011. A repayment of AED 8,886 thousand has been made during the six month period ended 30 June 2013.

The above bank loans are secured by the following:

- assignment of vessels mortgage;
- assignment of refund guarantee; and
- pledge of shares of subsidiaries owning these vessels.

The significant covenants for the above loans are as follows:

- the current assets at all times exceed the current liabilities;
- maintain at all times a cash and cash equivalents balance of over a certain percentage of the net debt; and
- ensure that the aggregate free market value of the vessels is over a certain percentage of the net debt.

At 30 June 2013, the Group is in breach of the terms of the loan agreements with its lenders. Further, subsequent to the period end, the Group was unable to make payment of a loan instalment amounting to USD 1,832 thousand (AED 6,706 thousand) which was due in July 2013. The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 30 June 2013. The Group is currently negotiating with its lenders and is confident that a decision will be reached with the lenders which will avoid a demand for immediate repayment of the loans (Note 2).

9 Related party transactions and balances

Related parties include major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management.

During the period, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions.

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
Management fees charged by a jointly controlled entity	2,394	1,966	1,197	983
Sale of a building to a director (Note 5)	7,320	-	-	-

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

9 Related party transactions and balances (continued)

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13	30 June 12	30 June 13	30 June 12
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	AED'000	AED'000	AED'000	AED'000
Office rental charged by a director	214	-	-	-

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

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Due from a related party		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	25,631
Due from related parties		
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	3,058	3,671
Gulf Stolt Ship Management Group JLT (Joint venture)	1,591	-
	4,649	3,671
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	4,900	3,473
Due to Directors for directors fee	1,101	202
	11,915	9,589

- (i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum.
- (ii) Amounts due to the shareholders of Gulf Navigation LLC represent a payable in respect of an amount of AED 5,914 thousand (2012: 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 unrecovered amount will be set-off against amounts payable to them.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

9 Related party transactions and balances (continued)

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
<i>Key management remuneration</i>				
Salaries and benefits	1,157	1,035	653	521
End of service benefits	16	33	-	17
	<u>1,173</u>	<u>1,068</u>	<u>653</u>	<u>538</u>

10 Operating revenue

Vessel chartering	63,103	96,179	31,773	46,449
Ship agency	13,160	9,637	6,995	5,036
Commercial agency	1,227	1,132	645	677
	<u>77,490</u>	<u>106,948</u>	<u>39,413</u>	<u>52,162</u>

11 Voyage related direct costs

Vessel chartering:				
Commission on freight	-	243	-	-
Bunkering	-	7,945	-	76
Cargo related survey, hold cleaning charges etc	824	586	297	422
	<u>824</u>	<u>8,774</u>	<u>297</u>	<u>498</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
12 Other operating costs				
Vessel chartering:				
Ship running	28,497	30,993	12,646	16,539
Vessel depreciation	29,521	29,683	14,842	14,841
Amortisation of dry docking cost	1,092	518	609	267
Ship repair	2,102	2,266	380	1,253
Others	983	-	41	-
Ship agency:				
Operating cost	7,832	4,987	4,364	2,527
Vessel depreciation	353	355	177	177
Commercial agency	865	857	451	510
	<u>71,245</u>	<u>69,659</u>	<u>33,510</u>	<u>36,114</u>
13 General and administrative expenses				
Staff costs (Note 14)	4,608	5,691	2,156	2,831
Professional fees	2,429	790	1,664	620
Reversal of impairment of trade receivables	(35)	-	-	-
Other administrative expenses	3,055	3,497	1,693	1,660
	<u>10,057</u>	<u>9,978</u>	<u>5,513</u>	<u>5,111</u>
14 Staff costs				
Salaries and wages	3,481	4,318	1,692	2,154
Employees' end of service benefits	106	200	31	93
Other benefits	1,021	1,173	433	584
	<u>4,608</u>	<u>5,691</u>	<u>2,156</u>	<u>2,831</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013 (continued)

	<u>Six month ended</u>		<u>Three month ended</u>	
	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000	30 June 13 (Unaudited) AED'000	30 June 12 (Unaudited) AED'000
15 Loss per share				
Loss for the period (in thousands)	<u>(29,698)</u>	<u>(12,366)</u>	<u>(10,072)</u>	<u>(4,536)</u>
Weighted average number of shares	<u>1,655,000,000</u>	<u>1,573,764,522</u>	<u>1,655,000,000</u>	<u>1,574,953,128</u>
Basic and diluted loss per share	<u>(AED 0.0179)</u>	<u>(AED 0.0079)</u>	<u>(AED 0.0061)</u>	<u>(AED 0.0029)</u>

16 Operating leases as a lessor

The Group leases out 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:

	30 June 2013 AED'000 (Unaudited)	31 December 2012 AED'000 (Audited)
Not later than one year	101,528	101,528
Between one year and five years	406,114	406,114
Beyond five years	541,995	592,342
	<u>1,049,637</u>	<u>1,099,984</u>