

**Gulf Navigation Holding PJSC**

**Condensed consolidated interim financial information  
for the three month period ended 31 March 2015**

## **Gulf Navigation Holding PJSC**

### **Condensed consolidated interim financial information for the three month period ended 31 March 2015**

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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 2015 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. 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'.

### **Emphasis of matter**

We draw attention to Note 2 to the consolidated financial statements, which states that as of 31 March 2015, the Group had accumulated losses of AED 288,059 thousand and a net current liability position of AED 654,526 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  
3 May 2015

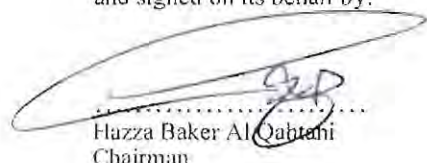
Paul Suddaby  
Registered Auditor Number 309  
Dubai, United Arab Emirates

# Gulf Navigation Holding PJSC

## Condensed consolidated interim balance sheet as of 31 March 2015

	Note	At 31 Mar 15 (Unaudited) AED '000	At 31 Dec 14 (Audited) AED '000
<b>Assets</b>			
<b>Non-current assets</b>			
Vessels, property and equipment	5	677,863	686,554
Goodwill	6	135,999	135,999
Investment in joint ventures		107,189	106,554
Due from a related party	10	31,314	31,314
		<u>952,365</u>	<u>960,421</u>
<b>Current assets</b>			
Inventories		7,670	7,583
Due from related parties	10	699	180
Trade and other receivables	7	31,777	28,833
Term deposit		127	127
Cash and bank balances		20,563	26,251
		<u>60,836</u>	<u>62,974</u>
<b>Total assets</b>		<u>1,013,201</u>	<u>1,023,395</u>
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Group</b>			
Share capital		551,667	551,667
Legal reserve		32,549	32,549
Accumulated losses		(288,059)	(292,991)
<b>Total equity</b>		<u>296,157</u>	<u>291,225</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		1,682	1,741
<b>Current liabilities</b>			
Borrowings	9	460,266	469,990
Trade and other payables	8	229,097	234,729
Due to related parties	10	15,019	14,730
Loan from related parties	10	10,980	10,980
		<u>715,362</u>	<u>730,429</u>
<b>Total liabilities</b>		<u>717,044</u>	<u>732,170</u>
<b>Total equity and liabilities</b>		<u>1,013,201</u>	<u>1,023,395</u>

The condensed consolidated interim financial information was approved by the Board of Directors on 21/5/2015 and signed on its behalf by:

  
Hazza Baker Al Qabani  
Chairman

## Gulf Navigation Holding PJSC

### Condensed consolidated interim income statement for the three month period ended 31 March 2015

		Three months ended	
	Note	31 Mar 15 (Unaudited) AED'000	31 Mar 14 (Unaudited) AED'000
Operating revenue	11	34,518	30,865
Other operating costs	12	(23,147)	(22,619)
<b>Gross profit</b>		<b>11,371</b>	<b>8,246</b>
Other income		438	499
General and administrative expenses	13	(6,122)	(4,714)
<b>Operating profit for the period</b>		<b>5,687</b>	<b>4,031</b>
Finance income		522	428
Finance costs	15	(1,912)	(4,602)
Finance costs - net		(1,390)	(4,174)
Share of profit of investments accounted for using the equity method		635	682
<b>Profit for the period</b>		<b>4,932</b>	<b>539</b>
<b>Earnings per share</b>			
- Basic and diluted (AED)	16	0.0089	0.0009

## **Gulf Navigation Holding PJSC**

### **Condensed consolidated interim statement of comprehensive income for the three month period ended 31 March 2015**

	<u>Three months ended</u>	
	31 Mar 15 (Unaudited) AED'000	31 Mar 14 (Unaudited) AED'000
Profit for the period	4,932	539
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<u>4,932</u>	<u>539</u>

## Gulf Navigation Holding PJSC

### Condensed consolidated interim statement of changes in equity for the three month period ended 31 March 2015

	Share capital AED'000	Legal reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2014	1,655,000	31,546	(1,405,349)	281,197
<b>Comprehensive income</b>				
Profit for the period	-	-	539	539
Total comprehensive income for the period	-	-	539	539
<b>Balance at 31 March 2014 (unaudited)</b>	<b>1,655,000</b>	<b>31,546</b>	<b>(1,404,810)</b>	<b>281,736</b>
Balance at 1 January 2015	551,667	32,549	(292,991)	291,225
<b>Comprehensive income</b>				
Profit for the period	-	-	4,932	4,932
Total comprehensive income for the period	-	-	4,932	4,932
<b>Balance at 31 March 2015 (unaudited)</b>	<b>551,667</b>	<b>32,549</b>	<b>(288,059)</b>	<b>296,157</b>

## Gulf Navigation Holding PJSC

### Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2015

	Note	Three months ended	
		31 Mar 15 (Unaudited) AED'000	31 Mar 14 (Unaudited) AED'000
<b>Operating activities</b>			
Profit for the period		4,932	539
Adjustments for:			
Depreciation		8,691	8,558
Share of profit from investment in joint ventures		(635)	(682)
Reversal of provision for impairment of trade receivables		-	(9)
Provision for employees' end of service benefits		17	225
Finance income		(522)	(428)
Finance costs	15	1,912	4,602
Operating cash flows before working capital changes and payment of employees end of service benefits		14,395	12,805
Employees end of service benefits paid		(76)	(81)
Changes in working capital:			
Inventories		(87)	(1,281)
Trade and other receivables before movement in provision for impairment of trade receivables		(2,944)	(816)
Restricted cash		(972)	-
Trade and other payables		(5,610)	3,692
Due to related parties		289	1,414
Due from related parties before interest receivable		-	(212)
Net cash generated from operating activities		4,995	15,521
<b>Investing activities</b>			
Purchase of vessels, property and equipment		-	(4,389)
Proceeds from sale of non-current assets held for sale		-	368,200
Interest received		3	3
Net cash generated from investing activities		3	363,814
<b>Financing activities</b>			
Repayment of borrowings	9	(9,724)	(377,534)
Interest paid		(1,912)	(18,867)
Net cash used in financing activities		(11,636)	(396,401)
<b>Net decrease in cash and cash equivalents</b>		(6,638)	(17,066)
Cash and cash equivalents at beginning of the period		12,909	21,931
<b>Cash and cash equivalents at end of the period</b>		6,271	4,865



## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015

#### 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 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 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
Gulf Navigation Maritime LLC (formerly Lam Gulf Maritime Co LLC)	United Arab Emirates
Gulf Navigation and Brokerage LLC	Oman
Gulf Eyadah Corporation	Panama
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Sheba Shipping Limited	Hong Kong
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Navigation Holding PJSC(Br)	Kingdom of Saudi Arabia

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

<i>Joint ventures</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 2015 (continued)**

#### **2 Basis of preparation and accounting policies**

##### **Basis of preparation**

The condensed consolidated interim financial information for the three month period ended 31 March 2015 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 at and for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial information has 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. As of 31 March 2015 the Group had accumulated losses of AED 288,059 thousand which represents more than one half of the share capital. In accordance with the UAE Federal Law No 8. of 1984 (as amended), an extraordinary general meeting ("EGM") of the shareholders was convened on 30 April 2015 and a resolution was obtained from the shareholders to reduce the accumulated losses to the extent of the legal reserve as at 31 December 2014 of AED 32,549 thousand as a result of which accumulated losses fall below one half of the share capital. The shareholders also approved:

- Conversion of specified liabilities into shares in the Company, if applicable laws in UAE allow;
- Conversion of mandatory convertible bonds ("bonds") into shares at a price less than their nominal value in case the market price at the time of conversion is less than the nominal value, if applicable laws in the UAE allow. Such proposal, if adopted, shall cover the bonds that were approved at the Company's EGM on 5 January 2014 and which the Board has not yet issued up to the date of this EGM. Furthermore, authorisation was granted to the Board of Directors to obtain all required approvals from competent authorities to implement such proposal; and
- Authorisation for the Board of Directors to negotiate and enter into settlement agreements to settle with various creditors.

The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defence and/or negotiations. At 31 March 2015, the Group continued to remain in breach of the terms of the loan agreements with its lenders. These breaches gave the lenders the right to call an event of default and by further notice, declare that such loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities as at 31 March 2015, which resulted in a net current liability position of AED 654,526 thousand as of that date.

## **Gulf Navigation Holding PJSC**

### **Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)**

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

##### **Going concern (continued)**

Based on the foregoing paragraphs, 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. There is also the risk of disruption to its activities from legal action taken against it. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise. As of the date of authorisation of this condensed consolidated interim financial information, the discussions with lenders and other creditors are in progress and the Group believes that a mutually acceptable arrangement will be reached. Management is also considering various options for raising additional finance to fund the Group's working capital and future investment requirements. The Directors, after reviewing the Group's 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 and after reviewing the status of the Group's legal defence and/or plans for negotiating a settlement in respect of the adverse arbitration awards, 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.

##### **Changes in accounting policy and disclosures**

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

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 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 2015 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 2015 or later period but have not early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2018); and
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017)

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.

## **Gulf Navigation Holding PJSC**

### **Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)**

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

##### **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 three month period ended 31 March 2015, 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.

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 2014.

##### **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 2014.

##### **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 2014.

## **Gulf Navigation Holding PJSC**

### **Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)**

#### **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.

##### *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 for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 31 March 2015, no impairment charge would have been recognised.

If the budgeted gross margin used in the value-in-use calculation for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% higher than management's estimates at 31 March 2015, no impairment charge would have been recognised.

If the estimated cost of capital used in determining the pre tax discount rate for the vessel chartering CGU had been 0.5% higher/lower than management's estimates, no impairment charge would have been recognised.

## **Gulf Navigation Holding PJSC**

### **Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)**

#### **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.

##### **Geographical segments**

The 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 their performance, and for which discrete financial information is available.

For the three month period ended 31 March 2015, operating revenue and net profit attributable to crew boat operations, included in the vessel owning and chartering segment, amounted to AED 2,390 thousand (31 March 2014: AED 2,877 thousand) and AED 1,261 thousand (31 March 2014: AED 1,512 thousand) respectively. As of 31 March 2015, total reportable assets and liabilities attributable to crew boat operations amounted to AED 6,135 thousand (31 Dec 2014: AED 6,318 thousand) and AED Nil (31 Dec 2014: AED Nil) respectively.

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (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 31 March 2015 (Unaudited)							For the three month period ended 31 March 2014 (Unaudited)					
Operating revenue	28,580	1,029	4,909	-	-	34,518	25,508	896	4,461	-	-	30,865
Operating costs	(18,672)	(582)	(3,912)	-	19	(23,147)	(18,775)	(702)	(3,161)	-	19	(22,619)
Other income	-	204	11	223	-	438	36	217	24	222	-	499
General & administrative expenses	(576)	(250)	(558)	(4,738)	-	(6,122)	(1,424)	(216)	(517)	(2,557)	-	(4,714)
Finance income	-	-	-	522	-	522	-	-	-	428	-	428
Finance costs	(1,465)	(1)	(12)	(434)	-	(1,912)	(4,439)	-	(12)	(151)	-	(4,602)
Share of profit from investment in joint ventures	-	-	-	635	-	635	-	-	-	682	-	682
Reportable segment (loss) / profit	7,867	400	438	(3,792)	19	4,932	906	195	795	(1,376)	19	539
At 31 March 2015 (Unaudited)							At 31 December 2014 (Audited)					
Reportable segment assets	3,602,137	20,712	93,734	3,313,036	(6,016,418)	1,013,201	3,609,870	19,229	84,471	3,297,617	(5,987,792)	1,023,395
Reportable segment liabilities	4,006,723	19,343	57,281	2,622,877	(5,989,180)	717,044	4,015,303	18,262	55,477	2,594,165	(5,951,037)	732,170



## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 5 Vessels, property and equipment

Vessels with a book value of AED 671,249 thousand (2014: AED 679,703 thousand) are mortgaged as security for borrowings (Note 9).

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 31 December 2013 was AED 106,506 thousand. Discussions were 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, the matter then went into arbitration. Based on the award made by the arbitrator in March 2014, the Group made a provision for impairment of the entire amount of the capital work-in-progress amounting to AED 108,045 thousand which includes the aforesaid advance of AED 106,506 thousand, as part of the results for the year ended 31 December 2013. The Group is engaged in negotiations with the Contractor to agree on a settlement of these balances.

#### 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 main type 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 all CGUs 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.

*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.

	2015	2014
Growth rate	<u>2%</u>	<u>2%</u>

##### *Discount rates*

7.12% (2014: 8.1%) reflects management's benchmark for evaluating investment proposals.



## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 7 Trade and other receivables

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<b>Current</b>		
Trade accounts receivable	26,879	25,760
Less: provision for impairment of trade receivables	(16,088)	(16,088)
	<u>10,791</u>	<u>9,672</u>
Awards receivable	5,914	5,914
Advances to suppliers	3,064	2,638
Prepayments	3,530	2,507
Other receivables	8,478	8,102
	<u>31,777</u>	<u>28,833</u>

#### 8 Trade and other payables

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Trade payables	15,718	16,053
Dividend payable	11,051	11,073
Advance from customers	2,904	10,354
Other accruals and payables	199,424	197,249
	<u>229,097</u>	<u>234,729</u>

#### 9 Borrowings

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<b>Current</b>		
Borrowings	<u>460,266</u>	<u>469,990</u>

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 9 Borrowings (continued)

The movement of bank borrowings are summarised as below

	Term-loan I	Term-loan II	Term-loan III	Total
	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2015	6,518	433,519	29,953	469,990
Less: repaid during the period	-	(9,724)	-	(9,724)
Balance at 31 March 2015	6,518	423,795	29,953	460,266
<b>Average nominal interest rate</b>	<b>2.1%</b>	<b>0.97%</b>	<b>2.1%</b>	<b>1.06%</b>
Balance at 1 January 2014	190,792	470,860	181,569	843,221
Transfer from trade and other payables	7,477	-	21,858	29,335
Charges and interest during the year	1,149	-	1,826	2,975
Sales proceeds applied	(192,900)	-	(175,300)	(368,200)
Repaid during the year	-	(37,341)	-	(37,341)
Balance at 31 December 2014	6,518	433,519	29,953	469,990
<b>Average nominal interest rate</b>	<b>1.29%</b>	<b>0.95%</b>	<b>2.25%</b>	<b>1.21%</b>

#### Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire a vessel costing AED 402,600 thousand. This loan carried interest at LIBOR plus 0.7% per annum and was payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. After the sale of its very large crude carriers (VLCC's) in February 2014, the default rate has been applied which is 2.0% per annum. The balance as of 31 March 2015 represents the shortfall after applying the proceeds from the sale of the related vessel.

#### Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire the chemical tankers costing 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 by 31 March 2019. A repayment of AED 9,724 thousand was made during the period.

#### Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire a vessel costing AED 337,295 thousand. This loan carried interest at LIBOR plus 2.8% per annum and was payable in 23 quarterly instalments commencing from 26 April 2011. After the sale of its very large crude carriers (VLCC's) in February 2014, the default rate has been applied which is 2.0% per annum. The balance as of 31 March 2015 represents the shortfall after applying the proceeds from the sale of the related vessel.

## **Gulf Navigation Holding PJSC**

### **Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)**

#### **9 Borrowings (continued)**

The above bank loans are secured by the following:

- assignment of related vessels mortgage;
- pledge of shares of subsidiaries owning these vessels; and
- corporate guarantee by the holding Company.

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;
- ensure that the consolidated market adjusted equity is over a certain percentage of the consolidated total market adjusted assets; and
- ensure that the aggregate free market value of the vessels is over a certain percentage of the net debt

At 31 March 2015, the Group continued to remain in breach of the terms of its agreement with its lenders. 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 31 March 2015. The Group's management are in discussions with these lenders to resolve the issue of repayment of the shortfall in respect of Term Loans I and III above (Note 2) and is negotiating with the lenders to regularise the agreement in relation to Term Loan II.

#### **10 Related party transactions and balances**

Related parties include the 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 following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions.

	<u>Three months ended</u>	
	<u>31 March 2015 AED'000 (Unaudited)</u>	<u>31 March 2014 AED'000 (Unaudited)</u>
Management fees	<u>769</u>	<u>1,197</u>
Office rental	<u>198</u>	<u>198</u>

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 10 Related party transactions and balances (continued)

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

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<b>Due from related parties</b>		
<b>Non-current</b>		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	<u>31,314</u>	<u>31,314</u>
<b>Current</b>		
Gulf Stolt Tankers DMCCO (Joint venture)	<u>699</u>	<u>180</u>
<b>Due to related parties</b>		
<b>Current</b>		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	6,174	5,799
Directors (re: directors' fees)	2,931	3,017
	<u>15,019</u>	<u>14,730</u>
<b>Loan from related parties (iii)</b>	<u>10,980</u>	<u>10,980</u>

- (i) The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO (GST). This loan carries interest of 6.6% per annum compounded on annual basis until the date of payment.
- (ii) Amounts due to shareholders of Gulf Navigation LLC represents amounts payable to the shareholders of Gulf Navigation Holding LLC with respect to an amount of AED 5,914 thousand retained to cover the amounts of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represents 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.
- (iii) The Group has drawn down loans from the shareholders on following terms:

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 10 Related party transactions and balances (continued)

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
Balance at 1 January 2015	3,660	3,660	3,660	10,980
Balance at 31 March 2015	3,660	3,660	3,660	10,980
<b>Average nominal interest rate</b>	15.06%	16.58%	15.32%	15.67%
Balance at 1 January 2014	3,660	3,660	3,660	10,980
Balance at 31 December 2014	3,660	3,660	3,660	10,980
<b>Average nominal interest rate</b>	11.61%	10.11%	11.34%	11.02%

#### *Key management remuneration*

	Three months ended	
	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Salaries, benefits and directors' fees	280	456

#### 11 Operating revenue

	Three months ended	
	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Vessel chartering	26,190	22,631
Ship agency	7,299	7,338
Commercial agency	1,029	896
	34,518	30,865

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 12 Other operating costs

	<u>Three months ended</u>	
	31 March	31 March
	2015	2014
	AED'000	AED'000
	(Unaudited)	(Unaudited)
Vessel chartering:		
Ship running	9,051	8,996
Vessel depreciation	7,727	7,477
Amortisation of dry docking costs	727	571
Ship repair	23	351
Ship agency:		
Operating cost	4,854	4,346
Vessel depreciation	183	176
Commercial agency	582	702
	<u>23,147</u>	<u>22,619</u>

#### 13 General and administrative expenses

Staff costs (Note 14)	2,317	2,237
Professional fees	631	1,468
Reversal of impairment of trade receivables	-	(9)
Other administrative expenses	3,174	1,018
	<u>6,122</u>	<u>4,714</u>

#### 14 Staff costs

Salaries and wages	1,731	1,578
Employees' end of service benefits	17	225
Other benefits	569	434
	<u>2,317</u>	<u>2,237</u>

## Gulf Navigation Holding PJSC

### Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2015 (continued)

#### 15 Finance costs

	<u>Three months ended</u>	
	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Interest on bank borrowings	<u>1,912</u>	<u>4,602</u>

#### 16 Earnings per share

	<u>Three months ended</u>	
	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Profit for the period	<u>4,932</u>	<u>539</u>
<i>Number of shares</i>	<i>551,666,666</i>	<i>551,666,666</i>
<i>Basic and diluted earnings per share</i>	<i>AED 0.0089</i>	<i>AED 0.0009</i>

#### 17 Operating leases as 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:

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Not later than one year	98,857	98,857
Between one year and five years	393,540	393,873
Beyond five years	349,605	373,918
	<u>842,002</u>	<u>866,648</u>