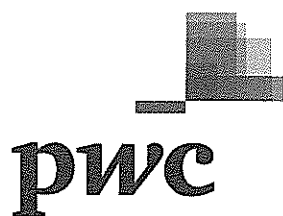


Gulf Navigation Holding PJSC

**Condensed consolidated interim financial information
for the three month period ended 31 March 2012**



Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the three month period ended 31 March 2012

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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 2012 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’.

PricewaterhouseCoopers
13 May 2012

A handwritten signature in black ink that reads 'Paul Suddaby'.

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

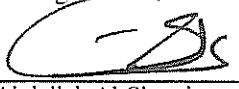
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Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	At 31 Mar 12 (Unaudited) AED'000	At 31 Dec 11 (Audited) AED'000
Assets			
Non-current assets			
Vessels and equipment	4	1,544,623	1,559,695
Goodwill		518,550	518,550
Investment in jointly controlled entities		133,478	135,609
Long term trade receivable	5	-	29,907
Due from a related party		25,631	25,631
		<u>2,222,282</u>	<u>2,269,392</u>
Current assets			
Inventories		7,352	20,864
Due from related parties		-	2,677
Trade and other receivables	5	92,449	58,278
Term deposit		41,151	116,900
Cash and cash equivalents	13	46,861	42,174
		<u>187,813</u>	<u>240,893</u>
Total assets		<u>2,410,095</u>	<u>2,510,285</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		(311,332)	(303,502)
		<u>1,328,508</u>	<u>1,336,338</u>
Hedging reserve for interest rate swaps		(44,189)	(47,804)
Total equity		<u>1,284,319</u>	<u>1,288,534</u>
Non-current liabilities			
Borrowings	6	930,129	-
Employees' end of service benefits		1,202	1,178
Interest rate swap liabilities		44,189	47,804
		<u>975,520</u>	<u>48,982</u>
Current liabilities			
Trade and other payables		65,934	77,185
Due to related parties	7	12,064	8,703
Borrowings	6	72,258	1,024,729
Bank overdraft		-	62,152
		<u>150,256</u>	<u>1,172,769</u>
Total liabilities		<u>1,125,776</u>	<u>1,221,751</u>
Total equity and liabilities		<u>2,410,095</u>	<u>2,510,285</u>

The condensed consolidated interim financial information was approved by the Board of Directors on 13 May 2012 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 2012

	Note	31 Mar 12 (Unaudited) AED'000	31 Mar 11 (Unaudited) AED'000
Operating revenue	8	54,786	68,686
Voyage related direct costs	9	(8,276)	(9,570)
Other operating costs	10	(33,545)	(43,958)
Gross profit		<u>12,965</u>	<u>15,158</u>
Other income		399	771
Administrative expenses	11	(4,867)	(5,227)
Operating profit for the period		<u>8,497</u>	<u>10,702</u>
Finance income		649	1,271
Finance costs		(14,845)	(11,879)
Finance costs – net		(14,196)	(10,608)
Share of (loss)/profit in jointly controlled entities		(2,131)	127
(Loss)/profit for the period		<u>(7,830)</u>	<u>221</u>
(Loss)/earnings per share			
- Basic and diluted	12	<u>(0.0050)</u>	<u>0.00014</u>

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income for the three month period ended 31 March 2012

	Note	31 Mar 12 (Unaudited) AED'000	31 Mar 11 (Unaudited) AED'000
(Loss)/profit for the period		(7,830)	221
Other comprehensive income:			
Effective portion of change in fair value of interest rate swap hedges		9,899	13,762
Interest rate swap hedge reserve recycled to income statement		(6,284)	(6,587)
Other comprehensive income for the period		<u>3,615</u>	<u>7,175</u>
Total comprehensive (loss)/ income for the period		<u>(4,215)</u>	<u>7,396</u>

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of changes in equity for the three month period ended 31 March 2012

	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 2011	1,655,000	31,546	(59,062)	(46,706)	(230,807)	1,349,971
Comprehensive income						
Profit for the period	-	-	-	-	221	221
<i>Other comprehensive income</i>						
Hedge reserve	-	-	7,175	-	-	7,175
Total comprehensive income for the period	-	-	7,175	-	221	7,396
Balance 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>
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	-	-	-	-	(7,830)	(7,830)
<i>Other comprehensive income</i>						
Hedge reserve	-	-	3,615	-	-	3,615
Total comprehensive income/(loss) for the period	-	-	3,615	-	(7,830)	(4,215)
Balance at 31 March 2012 (unaudited)	<u>1,655,000</u>	<u>31,546</u>	<u>(44,189)</u>	<u>(46,706)</u>	<u>(311,332)</u>	<u>1,284,319</u>

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2012

	Note	31 Mar 12 (Unaudited) AED'000	31 Mar 11 (Unaudited) AED'000
Operating activities			
(Loss)/ profit for the period		(7,830)	221
Adjustments for:			
Depreciation		16,097	14,704
Share of loss/(profit) in jointly controlled entities		2,131	(127)
Provision for employees' end of service benefits		107	125
Finance income		(649)	(1,271)
Finance costs		14,845	11,879
		<hr/>	<hr/>
Operating profit before working capital changes and payment of employees end of service benefits		24,701	25,531
Employees end of service benefits paid		(83)	(57)
Changes in working capital:			
Inventories		13,512	(13,169)
Trade and other receivables		(4,264)	(16,220)
Trade and other payables		(11,251)	17,211
Due to related parties		3,361	(1,996)
Due from related parties		2,677	-
		<hr/>	<hr/>
Net cash generated from operating activities		28,653	11,300
Investing activities			
Purchase of vessels and equipment	4	(1,025)	(339,189)
Interest received		649	1,271
Withdrawal of term deposit		75,749	-
		<hr/>	<hr/>
Net cash provided from/(used in) investing activities		75,373	(337,918)
Financing activities			
Borrowings availed		-	233,456
Repayment of borrowings		(22,342)	(24,338)
Interest paid		(14,845)	(11,879)
		<hr/>	<hr/>
Net cash (used in)/provided from financing activities		(37,187)	197,239
Net increase/(decrease) in cash and cash equivalents			
		66,839	(129,379)
Cash and cash equivalents at beginning of period		(19,978)	203,555
		<hr/>	<hr/>
Cash and cash equivalents at end of period	13	<u>46,861</u>	<u>74,176</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012

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 Riyadh 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 2012 (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 2012 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 2011, 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.

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 2012 that would be expected to have a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted by the Group

- IAS 1, 'Financial statement presentation' (effective 1 July 2012);
- IAS 19, 'Employee Benefits' (effective 1 January 2013);
- IFRS 9, 'Financial instruments' (effective 1 January 2015);
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013);
- IFRS 13, 'Fair value measurement' (effective 1 January 2013);
- IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013); and
- IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013).

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 consolidated financial statements.

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 Dollars ("USD") or currencies pegged to USD, the functional currency of the Group is USD. However, the condensed consolidated interim financial information is presented in United Arab Emirates Dirhams ("AED") being the presentation currency. Amounts in USD 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.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

2 Basis of preparation and accounting policies (continued)

Basis of consolidation

The condensed consolidated interim financial information at and for the three month period ended 31 March 2012 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 2011.

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 2011.

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 2011.

3 Operating segments

Business segments

The Group comprises the following main business segments:

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

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

3 Operating segments (continued)

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.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

4 Vessels and equipment

During the three month period ended 31 March 2012, the Group acquired assets with a cost of AED 1,025 thousand (31 March 2011: AED 339,189 thousand). The amount of borrowing costs included in the additions during the period is AED 61 thousand (31 March 2011: AED Nil).

Vessels with a book value of AED 1,394,291 thousand (31 December 2011: AED 1,409,133 thousand) are mortgaged as security for borrowings (note 6).

The management has contracted with a shipyard ("the Contractor") for the construction of two new vessels. The payment terms set out in Addendum No 1 to the main contract entered into with the Contractor referred to the payment dates of November / December 2011 for the 2nd instalment with a value of AED 53,253 thousand (USD 14,550 thousand) but these dates were linked to a minimum period from agreed delivery date. Discussions have been on-going with the Contractor as to further delays to the delivery schedule and the management believes that until these dates have been agreed, the due payment dates are open to discussion. Further, the management has obtained a legal opinion on the above issue. As per the opinion, the Contractor is unlikely to contend at present that the Group is in default of its payment obligation in respect of the 2nd instalment. The carrying amount of capital-work-in-progress as of 31 March 2012 is AED 108,028 thousand (31 December 2011: AED 107,750 thousand).

5 Trade and other receivables

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Non-current		
Trade receivable (i)	-	29,907
Current		
Trade receivables (i)	69,756	38,145
Less: provision for impairment of trade receivables	(15,372)	(15,372)
	54,384	22,773
Awards receivable	5,914	5,914
Advances to suppliers	4,300	6,713
Prepayments	2,737	1,555
Other receivables	25,114	21,323
	92,449	58,278

- (i) An amount of AED 32,652 thousand is receivable from the Estate of Atlas Shipping A/S. This receivable is stated at its net present value, net off discount, amounting to AED 2,745 thousand.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

6 Borrowings

The Group has obtained loans amounting to AED 1,002,387 thousand (31 December 2011: AED 1,024,729 thousand) from two commercial banks to acquire ships. These loans are secured against the vessels and the pledge of shares of the subsidiaries owning these vessels.

At 31 December 2011, the Group was in breach of a debt covenant in relation to the fair market value of owned vessels and a cash covenant in relation to minimum cash balances, which gave the lenders the right to call an event of default and by further notice, declare that all the borrowings were payable on demand. Accordingly, the bank borrowings were classified as current liabilities at 31 December 2011. However, subsequent to the year end, the Group reached an agreement with its lenders for a reset of the stated debt and cash covenants for a period from 24 November 2011 to 31 March 2013 to eliminate the breach for the period.

The above stated reset agreement enables the Group to rectify the breach and accordingly, the borrowings in these condensed consolidated financial information have been reclassified to non-current liabilities effective from the date of the reset agreement.

7 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.

Significant related party transactions primarily include management fees charged by the jointly controlled entity amounting to AED 983 thousand (2011: AED 1,932 thousand) for managing the Group's vessels.

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

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	25,631
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	-	2,677
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	3,262	2,661
Gulf Stolt Tankers DMCCO (Joint venture)	2,839	-
Due to Directors for directors fee	49	128
	<u>12,064</u>	<u>8,703</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

7 Related party transactions (continued)

- (i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum and will be received after twelve months.
- (ii) Amounts due to the shareholders of Gulf Navigation LLC represent a payable in respect of an amount of AED 5,914 thousand (2011: 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.

Key management remuneration

	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
Salaries and benefits	514	500
End of service benefits	16	16
	<u>530</u>	<u>516</u>

8 Operating revenue

Vessel chartering	49,730	64,681
Ship agency	4,601	3,517
Commercial agency	455	488
	<u>54,786</u>	<u>68,686</u>

9 Voyage related direct costs

Vessel chartering:		
Commission on freight	243	1,334
Bunkering	7,869	5,768
Port disbursement expenses	-	1,656
Cargo related survey, hold cleaning charges etc	164	812
	<u>8,276</u>	<u>9,570</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

	31 March 2012 AED'000 (Unaudited)	31 March 2011 AED'000 (Unaudited)
10 Other operating costs		
Vessel chartering:		
Ship running	14,454	26,079
Vessel depreciation	14,842	13,672
Dry docking write off	251	-
Ship repair	1,013	1,725
Ship agency:		
Operating cost	2,460	1,920
Vessel depreciation	178	176
Commercial agency	347	386
	<u>33,545</u>	<u>43,958</u>
11 Administrative expenses		
Staff salaries and benefits	2,860	3,184
Other administrative expenses	2,007	2,043
	<u>4,867</u>	<u>5,227</u>
12 (Loss)/earnings per share		
(Loss)/profit for the period (in thousands)	<u>(7,830)</u>	<u>221</u>
	Number	Number
Weighted average number of shares outstanding during the period	<u>1,572,575,917</u>	<u>1,572,575,917</u>
Basic and diluted (loss)/earnings per share	<u>(AED 0.0050)</u>	<u>AED 0.00014</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2012 (continued)

13 Cash and cash equivalents

	31 March 2012 (Unaudited) AED'000	31 March 2011 (Unaudited) AED'000
For the purposes of the statement of cash flows, cash and cash equivalents comprise:		
Cash at bank and in hand	46,861	130,116
Bank overdrafts	-	(55,940)
	<u>46,861</u>	<u>74,176</u>

14 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 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Not later than one year	139,830	148,285
Between one year and five years	406,114	409,316
Beyond five years	668,836	694,148
	<u>1,214,780</u>	<u>1,251,749</u>

15 Commitments

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

	31 March 2012 AED'000 (Unaudited)	31 December 2011 AED'000 (Audited)
Vessels being bought for future use	<u>603,534</u>	<u>603,534</u>