

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2018

Gulf Navigation Holding PJSC and its Subsidiaries
Interim Condensed Consolidated Financial Statements
For the period ended 30 June 2018

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF NAVIGATION HOLDING PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Gulf Navigation Holding PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2018, comprising of the interim consolidated statement of financial position as at 30 June 2018 and the related interim consolidated statements of comprehensive income for the three-month and six-month periods and statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes.. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:
Anthony O'Sullivan
Partner
Registration No.: 687

13 August 2018

Dubai, United Arab Emirates

Gulf Navigation Holding PJSC and its Subsidiaries
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	30 June 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
ASSETS			
Non-current assets			
Vessels, property and equipment	5	852,270	843,354
Goodwill	6	135,999	135,999
Investment and advances to joint venture		-	300
		988,269	979,653
Current assets			
Inventories		12,734	12,275
Due from a related party	11	2,903	3,371
Trade and other receivables	7	85,281	42,217
Cash and bank balances		290,968	38,673
		391,886	96,536
TOTAL ASSETS		1,380,155	1,076,189
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	919,209	551,667
Statutory reserve		19,747	19,747
Accumulated losses		(95,435)	(80,247)
Other reserves	17	(2,380)	-
Equity attributable to equity holders of the parent		841,141	491,167
Non-controlling interests		13,881	13,454
Total equity		855,022	504,621
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits		1,512	1,480
Provisions and other payables	8	18,006	81,008
Bank borrowings	10	84,638	61,713
Finance leases	9	55,051	57,550
		159,207	201,751
Current liabilities			
Trade and other payables	8	65,533	53,550
Bank borrowings	10	297,600	313,736
Finance leases	9	2,793	2,531
		365,926	369,817
Total liabilities		525,133	571,568
TOTAL EQUITY AND LIABILITIES		1,380,155	1,076,189

The interim condensed consolidated financial statements were approved by the Board of Directors on 13 August 2018 and signed on its behalf by:


Abdulla Saeed Abdulla Brook Al Hemeiri
Chairman

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018

	<i>Notes</i>	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
		<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
Gross income		72,169	63,743	33,916	31,884
Less: Agency income		(1,032)	(3,384)	(449)	(902)
Operating revenue	12	71,137	60,359	33,467	30,982
Operating costs	13	(56,280)	(38,950)	(28,758)	(19,202)
Gross profit		14,857	21,409	4,709	11,780
Other income		213	384	103	227
General and administrative expenses	14	(26,769)	(13,451)	(18,982)	(6,756)
Operating (loss) / profit for the period		(11,699)	8,342	(14,170)	5,251
Finance income		-	1,235	-	613
Finance costs	16	(11,022)	(4,846)	(5,701)	(2,593)
Finance costs - net		(11,022)	(3,611)	(5,701)	(1,980)
Share of results of joint ventures - net		(767)	(342)	169	(392)
Liabilities no longer required written back		8,727	14,640	-	7,320
(LOSS) / PROFIT FOR THE PERIOD		(14,761)	19,029	(19,702)	10,199
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(14,761)	19,029	(19,702)	10,199
Attributable to:					
Equity holders of the parent		(15,188)	18,897	(19,909)	10,010
Non-controlling interests		427	132	207	189
		(14,761)	19,029	(19,702)	10,199
Earnings per share attributable to equity holders of the parent					
Basic and diluted (AED)	18	(0.0192)	0.034	(0.0243)	0.018

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2018

	Attributable to equity holders of the parent					Non-controlling interests AED '000	Total equity AED '000
	Share capital AED '000	Statutory reserve AED '000	Accumulated losses AED '000	Other reserves AED '000	Total AED '000		
Balance at 31 December 2016 (audited)	551,667	15,674	(119,371)	-	447,970	-	447,970
Total comprehensive income for the period (unaudited)	-	-	18,897	-	18,897	132	19,029
Dilution of investment in subsidiary (Note 2)	-	-	3,245	-	3,245	12,676	15,921
Balance at 30 June 2017 (unaudited)	551,667	15,674	(97,229)	-	470,112	12,808	482,920
Balance at 31 December 2017 (audited)	551,667	19,747	(80,247)	-	491,167	13,454	504,621
Share capital issued (note 17)	367,542	-	-	-	367,542	-	367,542
Rights issue cost (note 17)	-	-	-	(2,380)	(2,380)	-	(2,380)
Total comprehensive loss for the period (unaudited)	-	-	(15,188)	-	(15,188)	427	(14,761)
Balance at 30 June 2018 (unaudited)	919,209	19,747	(95,435)	(2,380)	841,141	13,881	855,022

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 June 2018

	<i>Notes</i>	<i>Six-month period ended</i>	
		<i>30 June 2018 AED'000 (Unaudited)</i>	<i>30 June 2017 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES			
(Loss) / profit for the period		(14,761)	19,029
Adjustments for:			
Depreciation		24,560	17,375
Share of results of joint ventures - net		767	342
Provision for employees' end of service benefits		181	151
Liabilities no longer required written back		(8,727)	(14,640)
Finance income		-	(1,235)
Finance costs	16	11,022	4,846
Operating cash flows before working capital changes		13,042	25,868
Changes in working capital:			
Inventories		(459)	(994)
Trade and other receivables		(43,064)	(5,521)
Transfer from / to restricted cash		35	1,442
Trade and other payables		(43,327)	3,888
Due to / from related parties		-	(960)
Employees' end of service benefits paid		(73,773)	23,723
		(148)	(311)
Net cash flows (used in) / generated from operating activities		(73,921)	23,412
INVESTING ACTIVITIES			
Purchase of vessels, property and equipment		(33,476)	(60,752)
Interest received		-	1,235
Net cash flows used in investing activities		(33,476)	(59,517)
FINANCING ACTIVITIES			
Funds received from rights issue	17	367,542	-
Rights issue cost paid		(2,380)	-
Proceeds from new borrowings	9, 10	30,000	74,238
Repayment of borrowings and finance leases	9, 10	(25,448)	(21,587)
Funds invested by non-controlling interests		-	2,562
Interest paid		(9,987)	(5,677)
Net cash flows from financing activities		359,727	49,536
NET INCREASE IN CASH AND CASH EQUIVALENTS		252,330	13,431
Cash and cash equivalents at beginning of the period		28,035	4,619
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		280,365	18,050
Restricted cash		10,603	19,283
TOTAL CASH AND BANK BALANCES		290,968	37,333
Significant non-cash movements:			
Purchase of vessels, property and equipment		-	(73,141)

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC ("the Company") is a Public Joint Stock Company incorporated on 30 October 2006 as per the Resolution of the Ministry of Economy No. 425 of 2006 and in accordance with UAE Federal Law No. (2) of 2015. The Company is listed on the Dubai Financial Market. The Company is primarily engaged in sea transport of oil and petroleum products and similar commodities, ship charter, shipping lines of freight and passenger transportation, sea freight and passenger charters, shipping services, sea shipping lines agents, clearing and forwarding services, cargo loading and unloading services, cargo packaging, sea cargo services and ship management operations through its subsidiaries as listed below. The Company operates from the 39th Floor, API Trio Tower, Al Barsha, Dubai, United Arab Emirates ("UAE"). The Company and its following directly or indirectly owned subsidiaries are together referred to as the "Group" in these interim condensed consolidated financial statements:

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC	Ship Charter, etc.	UAE	100	100
Gulf Navigation Group FZCO	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
GulfNav Ship Management FZE	Ship Charter, etc. / Ships and Boats Maintenance Services	UAE	100	100
Gulf Crude Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Chemical Carriers (L.L.C)	Ship Charter, etc.	UAE	100	100
Gulf Navigation Polimar Maritime LLC	Sea Shipping Lines Agents	UAE	60	60
Gulf Ship Management DMCC (<i>in the process of liquidation</i>)	Ship Management and Operation etc.	UAE	100	100
Gulf Navigation and Brokerage LLC	Ship Brokerage	Oman	100	100
Gulf Eyadah Corporation	Ship Owning	Panama	100	100
Gulf Huwaylat Corporation	Ship Owning	Panama	100	100
Gulf Deffi Corporation	Ship Owning	Panama	100	100
Gulf Jalmuda Corporation	Ship Owning	Panama	100	100
Gulf Fanatir Corporation	Ship Owning	Panama	100	100
Gulf Navigation Mishref Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Mirdif Limited	Ship Owning	Cayman Islands	100	100
Gulf Navigation Sukuk Limited	Unlimited	Cayman Islands	100	100
Gulf Maritime Ship Management LLC*	Ship Management and Operations	UAE	100	100
Gulf Ship Management Co LLC	Ship Management and Operations, etc	UAE	100	100
Gulf Navigation Mishref Limited	Ship Charter	Liberia	100	100
Gulf Navigation Mirdif Limited **	Ship Charter	Liberia	100	n/a
GS Shipping Incorporation	Ship Owning	Marshall Islands	100	100
Gulf Ahmadi Shipping Inc	Ship Owning	Marshall Islands	100	100
Gulf Shagra Shipping Inc	Ship Owning	Marshall Islands	100	100

* incorporated on 25 January 2018

** incorporated on 13 February 2018

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

1 LEGAL STATUS AND ACTIVITIES (continued)

The Group has the following branches:

<i>Branch</i>	<i>Principal activities</i>	<i>Country of incorporation</i>
Gulf Navigation Holding DMCC (Br)*	Ship Charter, etc.	UAE
Gulf Navigation Holding PJSC (Shj Br)	Ship Charter, etc.	UAE
Gulf Navigation Holding PJSC (Br)	Ship Charter, etc.	Kingdom of Saudi Arabia
Gulf Navigation Maritime and Operations Management Owned by Gulf Navigation Holding LLC – Abu Dhabi Branch**	Ship Management and Operations, etc.	UAE
Gulf Navigation Polimar Maritime LLC -Sharjah Branch	Sea Shipping Lines Agents	UAE
Gulf Navigation Polimar Maritime LLC -Fujairah Branch	Wholesale of Spare Parts and Sections Trading of Ships and Boats, etc.	UAE
Gulf Ship Management Co LLC -Fujairah ***	Ship Management and Operations, etc.	UAE

* ceased operations on 17 April 2018

** incorporated on 25 April 2018

*** under incorporation

The Group also has an interest in the following jointly controlled entity:

<i>Jointly controlled entity</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>% Equity interest</i>	
			<i>30 Jun 2018</i>	<i>31 Dec 2017</i>
Gulf Stolt Tankers DMCCO ("GST")	Ship Charter	UAE	50%	50%

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six-month period ended 30 June 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the applicable requirement of the United Arab Emirates Laws. These interim condensed consolidated financial statements 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 for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim condensed consolidated financial statements have been prepared under the historical cost convention.

Results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Basis of consolidation

The interim condensed consolidated financial statements at and for the six-month period ended 30 June 2018, comprises results of the Company and its subsidiaries. The interim condensed financial statements 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.

In 2017, the Group sold 40% of the Group's shareholding in Gulf Navigation Polimar Maritime LLC (previously known as Gulf Navigation Maritime LLC) (a subsidiary) effective from 1 January 2017 in exchange for cash and in-kind consideration totalling to AED 12,676 thousand. In accordance with IFRS 10 - Consolidated Financial Statements, the net gain of AED 3,245 thousand on the sale of the interest in Gulf Navigation Polimar Maritime LLC has been accounted for directly in the accumulated losses as an equity transaction.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going concern

As of the date of authorisation of these interim condensed consolidated financial statements, the Group has demonstrated its ability to improve its financial position by raising a significant amount of new equity and by reaching agreement for full and final settlement with remaining counter-parties. The Directors, after reviewing the Group's improving profitability; available sources of funding (either through bank loan or additional equity including issuance of sukuk or other alternative models); cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of these interim condensed consolidated financial statements, 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 these interim condensed consolidated financial statements.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2018, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

- *IFRS 15: Revenue from Contracts with Customers*
- *IFRS 9: Financial Instruments*
- *IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations*
- *Amendments to IAS 40: Transfers of Investment Property*
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions*
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- *Amendments to IFRS 28: Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*
- *Amendments to IFRS 1: First time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*

Functional and presentation currency

Items included in the interim condensed consolidated financial statements 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 interim condensed consolidated financial statements of the Group are 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.

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 2017.

Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements at and for the year ended 31 December 2017.

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 2017.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment of vessels, property and equipment

Management assesses the impairment of vessels, property and equipment 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.

Classification of leases - Group as a Lessor

The Group has entered into long term vessel leasing arrangements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vessel and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessel, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Consolidation of subsidiaries

The Group has evaluated all the investee entities including special purpose entities to determine whether it controls the investee as per the criteria laid out by *IFRS 10: Consolidated Financial Statements*. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

Impairment of receivables

An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross receivables amounted to AED 16,210 thousand (31 December 2017: AED 13,348 thousand) with provision for doubtful debts of AED 235 thousand (31 December 2017: AED 235 thousand) (Note 7). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Revenue recognition

The Group has concluded, based on its review of revenue arrangements with customers, that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Estimated impairment of goodwill

Management reviews the business performance based on type of business. Management has identified vessel owning and chartering, ship management, marine product sales and distribution and shipping and technical services 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 owning and chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 30 June 2018, no impairment charge would have been recognised. If the estimated cost of capital used in determining the pre-tax discount rate for the vessel owning and chartering CGU had been 0.5% higher/lower than management's estimates, no impairment charge would have been recognised.

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 and chartering*: Chartering of vessels to customers;
- *Ship management*: Technical management of vessels;
- *Marine products sales and distribution*: Trading of goods such as supplies, chemicals and gases required for ships;
- *Shipping and technical services*: Providing shipping services to ships calling at ports; and providing workshop services for boats
- *Other*: Includes management of all divisions and administrative activities.

Vessel owning and chartering, ship management, marine products sales and distribution and shipping and technical services 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.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018

4 OPERATING SEGMENTS (continued)

For the six-month period ended 30 June 2018 (Unaudited)

	Vessel owning and chartering AED '000	Ship management AED '000	Marine product sales and distribution AED '000	Shipping and technical services AED '000	Other AED '000	Inter segment elimination AED '000	Total AED '000
Operating revenue	63,332	2,549	269	7,261	-	(2,274)	71,137
Operating costs	(52,865)	-	(167)	(5,522)	-	2,274	(56,280)
Other income	24	-	40	7	526	(384)	213
General and administrative expenses	(1,086)	(3,222)	(123)	(1,397)	(21,325)	384	(26,769)
Finance costs	(10,444)	-	-	-	(578)	-	(11,022)
Share of results of joint ventures - net	(767)	-	-	-	-	-	(767)
Liabilities no longer required written back	3,550	-	-	-	5,177	-	8,727
Reportable segment profit / (loss)	1,744	(673)	19	349	(16,200)	-	(14,761)
At 30 June 2018 (Unaudited)							
Reportable segment assets	791,946	19,409	11,485	14,382	1,411,735	(868,802)	1,380,155
Reportable segment liabilities	(723,391)	(16,631)	(10,516)	(1,974)	(603,948)	831,327	(525,133)

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018

4 OPERATING SEGMENTS (continued)

For the six-month period ended 30 June 2017 (Unaudited)

	Vessel owning and chartering AED '000	Ship management AED '000	Marine product sales and distribution AED '000	Shipping and technical services AED '000	Other AED '000	Inter segment elimination AED '000	Total AED '000
Operating revenue	52,644	2,173	1,386	5,781	-	(1,625)	60,359
Operating costs	(36,150)	-	(1,120)	(3,305)	-	1,625	(38,950)
Other income	-	-	368	-	694	(678)	384
General and administrative expenses	(1,564)	(2,223)	(251)	(1,970)	(8,121)	678	(13,451)
Finance income	1	-	5	15	1,214	-	1,235
Finance costs	(3,593)	(11)	(3)	(7)	(1,232)	-	(4,846)
Share of results of joint ventures - net	(342)	-	-	-	-	-	(342)
Liabilities no longer required written back	-	-	-	-	14,640	-	14,640
Reportable segment profit/ (loss)	10,996	(61)	385	514	7,195	-	19,029
At 31 December 2017 (Audited)							
Reportable segment assets	732,398	15,967	3,684	22,589	1,264,777	(963,226)	1,076,189
Reportable segment liabilities	1,061,451	12,089	2,775	11,350	360,947	(877,044)	571,568

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018

4 OPERATING SEGMENTS (continued)

For the three-month period ended 30 June 2018 (Unaudited)

	Vessel owning and chartering AED '000	Ship management AED '000	Marine product sales and distribution AED '000	Shipping and technical services AED '000	Other AED '000	Inter segment elimination AED '000	Total AED '000
Operating revenue	29,064	1,334	129	4,136	-	(1,196)	33,467
Operating costs	(26,618)	-	(76)	(3,260)	-	1,196	(28,758)
Other income	17	-	15	3	260	(192)	103
General and administrative expenses	(460)	(1,788)	(76)	(663)	(16,187)	192	(18,982)
Finance costs	(5,416)	-	-	-	(285)	-	(5,701)
Share of results of joint ventures - net	169	-	-	-	-	-	169
Liabilities no longer required written back	-	-	-	-	-	-	-
Reportable segment profit / (loss)	(3,244)	(454)	(8)	216	(16,212)	-	(19,702)

For the three-month period ended 30 June 2017 (Unaudited)

	Vessel owning and chartering AED '000	Ship management AED '000	Marine product sales and distribution AED '000	Shipping and technical services AED '000	Other AED '000	Inter segment elimination AED '000	Total AED '000
Operating revenue	27,158	1,116	779	2,756	-	(827)	30,982
Operating costs	(17,867)	-	(700)	(1,462)	-	827	(19,202)
Other income	-	-	224	-	342	(339)	227
General and administrative expenses	(731)	(1,148)	(118)	(915)	(4,183)	339	(6,756)
Finance income	1	-	5	3	604	-	613
Finance costs	(1,922)	(5)	(2)	(3)	(661)	-	(2,593)
Share of results of joint ventures - net	(392)	-	-	-	-	-	(392)
Liabilities no longer required written back	-	-	-	-	7,320	-	7,320
Reportable segment profit / (loss)	6,247	(37)	188	379	3,422	-	10,199

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

5 VESSELS, PROPERTY AND EQUIPMENT

Vessels with a net book value of AED 708,874 thousand (31 December 2017: AED 706,644 thousand) are mortgaged as security for bank borrowings (Note 10).

The carrying value of vessels held under finance leases was AED 124,840 thousand (31 December 2017: AED 128,481 thousand). Leased assets are pledged as security for the related finance leases (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.

Subsequent to the period-end date, the Group has reached an amicable settlement with the Contractor and in light of the settlement terms, the entire provision for impairment of AED 108,045 thousand has been utilised during the period.

6 GOODWILL

Management reviews the business performance based on type of business. Management has identified the Vessel owning and chartering division, marine products sales and distribution and shipping and technical services 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.

	2018	2017
Growth rate	2%	2%

Discount rates

Discount of 6.69% (2017: 7.32%) is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

7 TRADE AND OTHER RECEIVABLES

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Current		
Trade receivable	16,210	13,348
Less: provision for impairment of trade receivables	(235)	(235)
	<u>15,975</u>	<u>13,113</u>
Receivable on dilution of investment in a subsidiary	14,640	14,640
Advances to suppliers	1,746	1,844
Prepayments	6,296	4,951
Deposit made for settlement of a legal case*	38,257	-
Other receivables	8,367	7,669
	<u>85,281</u>	<u>42,217</u>

*the Group placed a deposit of USD 19,600 thousand (equivalent to AED 71,732 thousand) with a court during the period. An amount of USD 8,000 thousand (equivalent AED 29,280 thousand) was then used to pay the Contractor towards full and final settlement of the dispute (Note 5). Subsequent to the period-end date, the residual deposit amount of USD 10,453 thousand (equivalent AED 38,257 thousand) was received by the Group.

8 TRADE AND OTHER PAYABLES

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Non-current		
Provisions and other payables	18,006	81,008
Current		
Trade payables	15,986	12,768
Dividend payable	10,603	10,638
Advance from customers	5,679	2,199
Provisions and other payables	27,775	18,795
Other loans	5,490	9,150
	<u>65,533</u>	<u>53,550</u>
	<u>83,539</u>	<u>134,558</u>

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments in the countries in which it operates. The industry in which the Group is engaged is also subject to physical risks of various kinds. It is the practice of the Group therefore to make provisions (included as part of "Provisions and other payables" in the consolidated statement of financial position) for present obligations at the reporting date for which a future outflow is probable and the amount is reasonably determinable.

Provisions and other payables at 30 June 2018 include an amount of AED 45,781 thousand (31 December 2017: AED 99,803 thousand) with respect to unfavourable arbitration awards and related finance cost relating to two legal matters. The Group was able to derecognise liabilities totalling AED 8,727 thousand which are included within 'Liabilities no longer required written back' in the interim consolidated statement of comprehensive income for the period ended 30 June 2018.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018

9 FINANCE LEASES

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Current		
Finance leases	<u>2,793</u>	<u>2,531</u>
Non-current		
Finance leases	<u>55,051</u>	<u>57,550</u>

On 28 November 2017, the Group entered into a finance lease agreement to support acquisition of vessels from GST. The liability is payable on a monthly basis at the rate of AED 28,548 per day for the period of 5 years and a final repayment of AED 43,005 thousand on 29 November 2022. During the period, the Group repaid an amount of AED 2,237 thousand (year ended 31 December 2017: AED 226 thousand).

10 BANK BORROWINGS

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Current		
Bank borrowings	<u>297,600</u>	<u>313,736</u>
Non-current		
Bank borrowings	<u>84,638</u>	<u>61,713</u>

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2018

10 BANK BORROWINGS (continued)

The movement of bank borrowings are summarised as below:

	Term-loan I AED '000	Term-loan II AED '000	Term-loan III AED '000	Term-loan IV AED '000	Term-loan V AED '000	Total AED '000
Balance at 31 December 2017	-	305,385	-	70,064	-	375,449
Add: availed during the period	-	-	-	-	30,000	30,000
Less: repaid during the period	-	(19,035)	-	(4,176)	-	(23,211)
Balance at 30 June 2018 (Unaudited)	-	286,350	-	65,888	30,000	382,238
Less: current portion	-	(286,350)	-	(8,350)	(2,900)	(297,600)
Non-current portion	-	-	-	57,538	27,100	84,638
Average nominal interest rate	n/a	2.70%	n/a	5.68%	5.97%	4.78%
	Term-loan I AED '000	Term-loan II AED '000	Term-loan III AED '000	Term-loan IV AED '000	Term-loan V AED '000	Total AED '000
Balance at 31 December 2016 (Audited)	2,633	351,132	12,330	-	-	366,095
Add: availed during the year	-	-	-	74,239	-	74,239
Less: repaid during the year	-	(45,747)	-	(4,175)	-	(49,922)
Less: settlement during the year	(2,633)	-	(12,330)	-	-	(14,963)
Balance at 31 December 2017 (Audited)	-	305,385	-	70,064	-	375,449
Less: current portion	-	(305,385)	-	(8,351)	-	(313,736)
Non-current portion	-	-	-	61,713	-	61,713
Average nominal interest rate	n/a	1.89%	n/a	5.5%	n/a	3.70%

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

10 BANK BORROWINGS (continued)

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. Remaining shortfall related to this loan has been settled in February 2017.

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire chemical tankers costing 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 19,035 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. Remaining shortfall related to this loan has been settled in February 2017.

Term loan IV

Term loan of AED 74,238 thousand (net of arrangement fees) was availed to the support acquisition of chemical tankers from GST. This loan carries interest at LIBOR plus 3.5% per annum and is payable in 20 quarterly instalments commencing from 21 September 2017 and a final payment of AED 32,500 thousand on 21 March 2023. A repayment of AED 4,176 thousand was made during the period.

Term loan V

Term loan of AED 30,000 thousand was availed by the Group to the support acquisition of anchor handling tug supply vessel. This loan carries interest at LIBOR plus 3.5% per annum and is payable in 27 equal quarterly instalments commencing from 7 December 2018 with final payment on 7 June 2025.

Term loans II, IV, and V above are covered by various forms and combinations of security which include:

- assignment of related vessels mortgage;
- pledge of shares of subsidiaries owning these vessels; and
- corporate guarantee by the parent company, intermediate parent and/or associated companies.

The significant covenants for the above term loans include the following:

- 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

As at 30 June 2018, the Group remain in technical breach of specified covenants with its lenders for term loan II. Such breach has rendered the loans to be technically payable on demand and as such, it is classified as current at 30 June 2018. The Group's management are in discussions with the lenders to regularise the loan.

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

11 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.

Related party transactions

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.

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
Finance income	-	1,202	-	598
Purchase of vessels, property and equipment	-	133,538	-	133,538

Related party balances

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

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Due from related parties		
<i>Current</i>		
Gulf Stolt Tankers DMCCO (Joint venture)	2,903	3,371

This represents advances made to Gulf Stolt Tankers DMCCO in 2009 and 2010 for which no settlement had been previously planned and hence was included in the carrying amount of the Group's investment in said joint venture.

In February 2017, an agreement was reached with the lenders of term loans I and III for a full and final settlement of amounts owed to such lenders. The agreement allowed for payment of a final settlement amount set at a considerable discount from the lenders' original claim. The settlement amounting to AED 32,165 was made by one of the Company's major shareholders on the Group's behalf, which was subsequently paid by the Group during the period.

Key management remuneration

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
Salaries, benefits and directors' fees	3,237	2,855	1,291	1,646

Gulf Navigation Holding PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

12 OPERATING REVENUE

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018</i>	<i>30 June 2017</i>	<i>30 June 2018</i>	<i>30 June 2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Vessel owning and chartering	63,332	52,644	29,065	27,158
Shipping services	6,916	4,724	4,004	2,224
Marine product sales and distribution	269	1,386	129	779
Technical services	345	1,057	131	532
Ship management	275	548	138	289
	<u>71,137</u>	<u>60,359</u>	<u>33,467</u>	<u>30,982</u>

13 OPERATING COSTS

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018</i>	<i>30 June 2017</i>	<i>30 June 2018</i>	<i>30 June 2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<i>Vessel owning and chartering:</i>				
Ship running- vessels	23,620	14,699	12,275	7,022
Vessel depreciation	21,232	15,799	10,700	8,032
Amortisation of dry docking costs	2,991	1,486	1,407	759
Ship running- crew boats	1,997	2,154	916	1,114
Ship repair	751	387	541	113
Shipping services	5,419	2,762	2,794	1,160
Marine product sales and distribution	167	1,120	76	700
Technical services	103	543	49	302
	<u>56,280</u>	<u>38,950</u>	<u>28,758</u>	<u>19,202</u>

14 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018</i>	<i>30 June 2017</i>	<i>30 June 2018</i>	<i>30 June 2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Staff costs (Note 15)	8,559	8,678	4,301	4,432
Professional fees	2,061	293	1,903	155
Foreign exchange loss	4,039	411	3,734	259
Provision for legal case	6,261	-	6,261	-
Other administrative expenses	5,849	4,069	2,783	1,910
	<u>26,769</u>	<u>13,451</u>	<u>18,982</u>	<u>6,756</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

15 STAFF COSTS

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
Salaries and wages	7,016	6,885	3,575	3,577
Employees' end of service benefits	181	151	79	93
Other benefits	1,362	1,642	647	762
	8,559	8,678	4,301	4,432

16 FINANCE COSTS

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
Bank borrowings	10,478	4,030	5,483	2,185
Other loans	544	816	218	408
	11,022	4,846	5,701	2,593

17 SHARE CAPITAL

	<i>30 June 2018 (Unaudited)</i>	<i>31 December 2017 (Audited)</i>
Authorised:		
1,000,000,000 shares of AED 1 each	1,000,000	1,000,000
Issued and fully paid up:		
919,209,250 shares (2017: 551,666,666 shares) of AED 1 each	919,209	551,667

On 6 March 2018, the Company issued 367,542,584 ordinary shares of AED 1 each, which were fully subscribed and paid-up. The new capital was raised through a rights issue offered to existing shareholders. The Group incurred a cost of AED 2,380 thousand in connection with the rights issue which is presented as "Other reserves" in the interim consolidated statement of changes in equity.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2018

18 EARNINGS PER SHARE

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>	<i>30 June 2018 (Unaudited) AED'000</i>	<i>30 June 2017 (Unaudited) AED'000</i>
(Loss) / Profit for the period attributable to equity holders of the parent (AED '000)	(15,188)	18,897	(19,909)	10,010
Number of shares	919,209,250	551,666,666	919,209,250	551,666,666
Basic and diluted earnings per share	(AED 0.0192)	AED 0.034	(AED 0.0243)	AED 0.018

19 OPERATING LEASES AS LESSOR

The Group leases out its outstanding chemical vessels under an operating lease (time charter). The time charter runs until 2023. 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 (excluding those owned by the joint venture) are as follows:

	<i>30 June 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Not later than one year	149,596	150,657
Between one year and five years	631,831	625,566
Beyond five years	104,601	145,212
	886,028	921,435

20 OTHER MATTER

As of 30 June 2018 the Group does not have any investments in or other exposure to Abraaj Holdings, its subsidiaries or any of the funds managed by Abraaj Holdings or any of its subsidiaries.