Gulf Navigation Holding PJSC and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2016

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Building a better working world

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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 31 March 2016, comprising of the interim consolidated balance sheet as at 31 March 2016, and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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.

Emphasis of matter

We draw attention to Note 2 to the interim condensed consolidated financial statements, which states that as of 31 March 2016, the Group had accumulated losses of AED 235,950 thousand and a net current liabilities position of AED 604,260 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 Group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Other matter

The interim condensed consolidated financial statements for the three month period ended 31 March 2015 and the consolidated financial statements for the year ended 31 December 2015 were reviewed and audited respectively by another auditor who expressed an unmodified conclusion on the interim condensed consolidated financial statements for the three month period ended 31 March 2015 on 3 May 2015 and an unmodified opinion on the consolidated financial statements for the year ended 31 December 2015 on 12 February 2016.

Ernst + Young

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

Dubai, United Arab Emirates

10 May 2016

INTERIM CONSOLIDATED BALANCE SHEET
As at 31 March 2016

	Notes	***31 March 2016 AED'000 (Unaudited)***	*31 December 2015 AED'000 (Audited)*
ASSETS			
Non-current assets			
Vessels, property and equipment	5	**642,766**	651,387
Goodwill	6	**135,999**	135,999
Investment in joint ventures		**111,964**	109,177
Due from a related party	10	**33,419**	33,419
		924,148	929,982
Current assets			
Inventories		**8,110**	7,682
Trade and other receivables	7	**23,302**	25,385
Due from a related party	10	**752**	192
Cash and bank balances		**34,823**	33,267
		66,987	66,526
Total assets		**991,135**	996,508
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Group			
Share capital		**551,667**	551,667
Statutory reserve		**2,017**	2,017
Accumulated losses		**(235,950)**	(242,287)
Net equity		**317,734**	311,397
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits		**2,154**	1,967
Current liabilities			
Trade and other payables	8	**233,032**	233,246
Borrowings	9	**420,000**	430,506
Due to related parties	10	**7,235**	8,412
Loans from related parties	10	**10,980**	10,980
		671,247	683,144
Total liabilities		**673,401**	685,111
Total equity and liabilities		**991,135**	996,508

The interim condensed consolidated financial statements were approved by the Board of Directors on 10 May 2016 and signed on its behalf by:

Anas S A Atatreh
Vice Chairman

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED INCOME STATEMENT
For the period ended 31 March 2016

	Notes	*Three months period ended* 31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Operating revenue	11	**38,292**	34,518
Operating costs	12	**(27,689)**	(23,147)
Gross profit		**10,603**	11,371
Other income		**378**	438
General and administrative expenses	13	**(5,840)**	(6,122)
Operating profit for the period		**5,141**	5,687
Finance income		**563**	522
Finance costs	15	**(2,154)**	(1,912)
Finance costs - net		**(1,591)**	(1,390)
Share of results of joint ventures		**2,787**	635
Profit for the period		**6,337**	4,932
Earnings per share			
- Basic and diluted (AED)	16	**0.0115**	0.0089

The accompanying notes 1 to 18 form an integral part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2016

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Profit for the period	**6,337**	4,932
Other comprehensive income	-	-
Total comprehensive income for the period	**6,337**	4,932

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2016

	Share capital AED'000	*Statutory reserve AED'000*	*Accumulated losses AED'000*	*Total AED'000*
Balance at 1 January 2015 (audited)	551,667	32,549	(292,991)	291,225
Total comprehensive income for the period (unaudited)	-	-	4,932	4,932
Balance at 31 March 2015 (unaudited)	551,667	32,549	(288,059)	296,157
Balance at 1 January 2016 (audited)	551,667	2,017	(242,287)	311,397
Total comprehensive income for the period (unaudited)	-	-	6,337	6,337
Balance at 31 March 2016 (unaudited)	**551,667**	**2,017**	**(235,950)**	**317,734**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 31 March 2016

	Notes	Three months period ended 31 March 2016 AED'000 (Unaudited)	31 March 2015 AED'000 (Unaudited)
Operating activities			
Profit for the period		**6,337**	4,932
Adjustments for:			
Depreciation		**8,757**	8,691
Share of results from joint ventures		**(2,787)**	(635)
Provision for employees' end of service benefits		**187**	17
Finance income		**(563)**	(522)
Finance costs	15	**2,154**	1,912
Operating cash flows before working capital changes		**14,085**	14,395
Changes in working capital:			
Inventories		**(428)**	(87)
Trade and other receivables		**2,083**	(2,944)
Transfer to restricted cash		**(972)**	(972)
Trade and other payables		**(1,269)**	(5,610)
Due to related parties		**(1,177)**	289
		12,322	5,071
Employees end of service benefits paid		**-**	(76)
Net cash flows from operating activities		**12,322**	4,995
Investing activities			
Purchase of vessels, property and equipment		**(136)**	-
Interest received		**3**	3
Net cash flows (used in)/ from investing activities		**(133)**	3
Financing activities			
Repayment of borrowings	9	**(10,506)**	(9,724)
Interest paid		**(1,054)**	(1,912)
Net cash flows used in financing activities		**(11,560)**	(11,636)
Net increase / (decrease) in cash and cash equivalents		**629**	(6,638)
Cash and cash equivalents at beginning of the period		**16,229**	12,909
Cash and cash equivalents at end of the period		**16,858**	6,271

1 LEGAL STATUS AND ACTIVITIES

Gulf Navigation Holding PJSC ("the 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, shipping services, 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 operates from the 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 (together referred to as "the Group") in the interim condensed consolidated financial statements:

Subsidiaries	***Country of incorporation***
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	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
GS Shipping Incorporation	Marshal Islands
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:

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

The Federal Law No. 2 of 2015 concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No. 8 on 1984. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 28 June 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial statements of the Group for the three month period ended 31 March 2016 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 2015, 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 three month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Basis of consolidation

The interim condensed consolidated financial statements at and for the three month period ended 31 March 2016, 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.

Going concern

As at 31 March 2016, the Group remains in technical breach of specified covenants with its lenders. Such breach has rendered the loans to be technically payable on demand. Notwithstanding such technical breach, the related bank borrowings are currently fully serviced, with no default on principal or interest payments. The Group's bank borrowings are presented as current liabilities as at 31 March 2016, which resulted in a net current liability position of AED 604,260 thousand as of that date. 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 awards through legal defence and/or negotiations. One of the options to raise additional equity is the issuance of mandatory convertible bonds ("MCBs"). In connection with this, the shareholders held a general assembly meeting ("GAM") on 18 January 2016 and approved the issuance of MCBs with a cash value of AED 92 million equivalent to USD 25 million to be offered to the Company's existing shareholders first and thereafter offering all the MCBs or the balance thereof, as the case may be, to the Company's creditors. As of the reporting date, the terms of the MCB offering are being reviewed by the Board of Directors. As of the date of authorisation of these interim condensed consolidated financial statements, the discussions with lenders and other creditors are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. The Directors, after reviewing the Group's improving profitability, 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 and after reviewing the status of the Group's legal defence, and plans for negotiating a settlement in respect of the adverse 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 these interim condensed consolidated financial statements.

Changes in accounting policy and disclosures

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

The adoption of the following new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 had had no effect on the interim condensed consolidated financial statements of the Group.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate
- or Joint Venture
- Annual Improvements 2012-2014 Cycle
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policy and disclosures (continued)

b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted by the Group*

- IFRS 9, 'Financial instruments' (1 January 2018);
- IFRS 15, 'Revenue from contracts with customers' (1 January 2018); and
- IFRS 16, 'Leases' (1 January 2019).

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods.

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

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 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.

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 2015.

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 2015.

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 2015.

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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 25,302 thousand (31 December 2015: AED 28,422 thousand) with provision for doubtful debts of AED 16,073 thousand (31 December 2015: AED 16,073 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated income statement.

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 the vessel owning and chartering division, marine product sales and distribution and shipping 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 chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 31 March 2016, 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.

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;
- *Marine products sales and distribution:* Trading of goods such as supplies, chemicals and gases required for ships;
- *Shipping 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, marine products sales and distribution and shipping 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.

4 OPERATING SEGMENTS (continued)

For the three month period ended 31 March 2016 (Unaudited)

	Vessel owning and chartering AED'000	*Marine products sales and distribution AED'000*	*Shipping and technical services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	27,174	828	10,290	-	-	38,292
Operating costs	(19,117)	(644)	(7,947)	-	19	(27,689)
Other income	-	255	29	218	(124)	378
General and administrative expenses	(592)	(239)	(843)	(4,290)	124	(5,840)
Finance income	-	-	-	563	-	563
Finance costs	(1,712)	(1)	(6)	(435)	-	(2,154)
Share of results from joint ventures	2,787	-	-	-	-	2,787
Reportable segment profit/ (loss)	**8,540**	**199**	**1,523**	**(3,944)**	**19**	**6,337**
At 31 March 2016 (Unaudited)						
Reportable segment assets	**675,381**	**6,873**	**43,389**	**1,187,416**	**(921,924)**	**991,135**
Reportable segment liabilities	**1,052,086**	**4,739**	**10,635**	**491,206**	**(885,265)**	**673,401**

4 OPERATING SEGMENTS (continued)

For the three month period ended 31 March 2015 (Unaudited)

	Vessel owning and chartering AED'000	*Marine products sales and distribution AED'000*	*Shipping services AED'000*	*Other AED'000*	*Inter segment elimination AED'000*	*Total AED'000*
Operating revenue	28,580	1,029	4,909	-	-	34,518
Operating costs	(18,672)	(582)	(3,912)	-	19	(23,147)
Other income	-	204	11	223	-	438
General and administrative expenses	(576)	(250)	(558)	(4,738)	-	(6,122)
Finance income	-	-	-	522	-	522
Finance costs	(1,465)	(1)	(12)	(434)	-	(1,912)
Share of results from joint ventures	635	-	-	-	-	635
Reportable segment profit / (loss)	8,502	400	438	(4,427)	19	4,932
At 31 December 2015 (Audited)						
Reportable segment assets*	682,099	6,063	39,851	1,182,853	(914,358)	996,508
Reportable segment liabilities*	1,063,693	4,127	9,484	485,945	(878,138)	685,111

* Certain numbers shown here in connection with balances as at 31 December 2015 reflect reclassification adjustments within the Group's business segments. The total reportable segment assets and liabilities remain unchanged.

Vessels with a book value of AED 636,962 thousand (2015: AED 645,475 thousand) are mortgaged as security for bank borrowings (Note 9).

5 VESSELS, PROPERTY AND EQUIPMENT

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 in communications with the Contractor to arrange for 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, marine products sales and distribution and shipping 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.

	2016	*2015*
Growth rate	**2%**	2%

Discount rates
Discount of 8.50% (2015: 9.7%) is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

7 TRADE AND OTHER RECEIVABLES

	31 March 2016 AED'000 (Unaudited)	*31 December 2015 AED'000 (Audited)*
Current		
Trade accounts receivable	**25,302**	28,422
Less: provision for impairment of trade receivables	**(16,073)**	(16,073)
	9,229	12,349
Advances to suppliers	**2,315**	1,580
Prepayments	**1,845**	1,878
Other receivables	**9,913**	9,578
	23,302	25,385

8 TRADE AND OTHER PAYABLES

	31 March 2016 AED'000 (Unaudited)	*31 December 2015 AED'000 (Audited)*
Trade payables	**10,417**	10,528
Dividend payable	**10,835**	10,880
Advance from customers	**9,006**	9,943
Other accruals and payables	**202,774**	201,895
	233,032	233,246

Other accruals and payables at 31 March 2016 includes an amount of AED 180 million (31 December 2015: AED 179 million) with respect to unfavourable arbitration awards and related interest relating to two legal matters.

9 BANK BORROWINGS

	31 March 2016 AED'000 (Unaudited)	*31 December 2015 AED'000 (Audited)*
Current		
Bank borrowings	**420,000**	430,506

The movement of bank borrowings are summarised as below

	Term-loan I AED'000	*Term-loan II AED'000*	*Term-loan III AED'000*	*Total AED'000*
Balance at 1 January 2016	**6,518**	**394,035**	**29,953**	**430,506**
Less: repaid during the period	**-**	**(10,506)**	**-**	**(10,506)**
Balance at 31 March 2016	**6,518**	**383,529**	**29,953**	**420,000**
Average nominal interest rate	**2.00%**	**1.33%**	**2.00%**	**1.39%**
Balance at 1 January 2015	6,518	433,519	29,953	469,990
Less: repaid during the period	-	(39,484)	-	(39,484)
Balance at 31 December 2015	6,518	394,035	29,953	430,506
Average nominal interest rate	2.00%	1.00%	2.00%	1.09%

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. The balance as of 31 March 2016 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 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 10,506 thousand was made during the period.

9 BANK BORROWINGS (continued)

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. The balance as of 31 March 2016 represents the shortfall after applying the proceeds from the sale of the related vessel.

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 2016, the Group continued to remain in technical breach of specified covenants with its lenders. Such breach has rendered the loans to be technically payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 March 2016. 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 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.

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Finance income - due from a related party	**560**	519
Finance costs - loans from related parties (note 15)	**408**	424
Management fee charged by a jointly controlled entity	**813**	769
Office rental charged by other related parties	**208**	198

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	31 March 2016 AED'000 (Unaudited)	*31 December 2015 AED'000 (Audited)*
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	**33,419**	33,419
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	**752**	192
	752	192
Due to related parties		
Current		
Gulf Stolt Ship Management Group JLT (Joint venture)	**5,620**	6,173
Directors' fees	**1,615**	2,239
	7,235	8,412
Loans from related parties (ii)	**10,980**	10,980

(i) The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO. This loan carries interest of 6.6% per annum compounded on annual basis.

(ii) The Group has drawn down loans from the shareholders on following terms:

	Loan I AED'000	*Loan II AED'000*	*Loan III AED'000*	*Total AED'000*
Balance at 1 January 2016	3,660	3,660	3,660	10,980
Balance at 31 March 2016	3,660	3,660	3,660	10,980
Average nominal interest rate (inclusive of default interest)	15%	17%	15%	16%
Balance at 1 January 2015	3,660	3,660	3,660	10,980
Balance at 31 December 2015	3,660	3,660	3,660	10,980
Average nominal interest rate (inclusive of default interest)	15%	17%	15%	16%

Key management remuneration

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Salaries, benefits and directors' fees	**305**	280

11 OPERATING REVENUE

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Vessel chartering	**27,174**	28,580
Shipping services	**10,148**	4,909
Marine products sales and distribution	**828**	1,029
Technical services	**142**	-
	38,292	34,518

12 OPERATING COSTS

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Vessel chartering:		
Ship running - vessels	**9,297**	9,051
Ship running – crew boats	**962**	942
Vessel depreciation	**7,971**	7,910
Amortisation of dry docking costs	**727**	727
Ship repair	**141**	23
Shipping services:		
Operating cost	**7,870**	3,912
Marine product sales and distribution	**644**	582
Technical services	**77**	-
	27,689	23,147

13 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Staff costs (note 14)	**2,638**	2,317
Professional fees	**647**	631
Other administrative expenses	**2,555**	3,174
	5,840	6,122

14 STAFF COSTS

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Salaries and wages	**1,762**	1,731
Employees' end of service benefits	**187**	17
Other benefits	**689**	569
	2,638	2,317

15 FINANCE COSTS

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Interest on bank borrowings	**1,746**	1,488
Interest on loans from related parties	**408**	424
	2,154	1,912

16 EARNINGS PER SHARE

	Three months period ended	
	31 March 2016 AED'000 (Unaudited)	*31 March 2015 AED'000 (Unaudited)*
Profit for the period	**6,337**	4,932
Number of shares	**551,666,666**	551,666,666
Basic and diluted earnings per share	**AED 0.0115**	AED 0.0089

17 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:

	31 March 2016 AED'000 (Unaudited)	*31 December 2015 AED'000 (Audited)*
Not later than one year	**99,127**	99,127
Between one year and five years	**392,204**	392,533
Beyond five years	**252,084**	276,131
	743,415	767,791

18 SUBSEQUENT EVENT

In April 2016, the Group assumed 100% ownership of Gulf Stolt Ship Management JLT by acquiring the shares held by its joint venture partner Stolt-Neilsen Indian Ocean and Middle East Service Limited. As of the date of authorisation of these financial statements, the legal formalities to transfer the purchased shares under the name of Gulfnav Ship Management FZE are still in progress. Following this transaction, the accounts of Gulf Stolt Ship Management JLT will be included in the consolidated financial statements of the Group. The Group will also assess the purchase price in relation to the fair value of net assets acquired. Management does not expect the impact of this assessment to be material to the consolidated financial statements.