Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the six month period ended 30 June 2014

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Gulf Navigation Holding PJSC ('the Company') and its subsidiaries (collectively referred to as 'the Group') as of 30 June 2014 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34: 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34: 'Interim Financial Reporting'.

Emphasis of matter

We draw attention to Note 2 to the condensed consolidated interim financial information, which states that as of 30 June 2014, the Group had accumulated losses of AED 298.3 million and a net current liability position of AED 684.3 million. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
25 July 2014

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	At 30 June 2014 (Unaudited) AED'000	At 31 December 2013 (Audited) AED'000
Assets			
Non-current assets			
Vessels, property and equipment	5	704,262	717,385
Goodwill	6	135,999	135,999
Investment in joint ventures		104,944	103,120
Due from a related party	11	25,631	25,631
		970,836	982,135
Current assets			
Inventories		7,405	6,341
Due from related parties	11	7,075	6,126
Trade and other receivables	7	27,490	28,315
Term deposit		127	127
Cash and bank balances	8	18,731	33,201
		60,828	74,110
Assets of a disposal group classified as held for sale	19	-	368,200
		60,828	442,310
Total assets		1,031,664	1,424,445
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital	18	551,667	1,655,000
Statutory reserve		31,546	31,546
Accumulated losses		(298,319)	(1,405,349)
Total equity		284,894	281,197
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,600	1,377
		1,600	1,377
Current liabilities			
Trade and other payables	9	231,978	272,952
Due to related parties	11	16,726	14,718
Loan from related parties	11	10,980	10,980
Borrowings	10	485,486	843,221
		745,170	1,141,871
Total liabilities		746,770	1,143,248
Total equity and liabilities		1,031,664	1,424,445

The condensed consolidated interim financial information was approved by the Board of Directors on 25/7/2014 ~~and signed on~~ its behalf by:

Hazza Baker Al Qahtani
Chairman

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement

	Note	Six months ended 30 June 2014 (Unaudited) AED'000	Six months ended 30 June 2013 (Unaudited) AED'000	Three months ended 30 June 2014 (Unaudited) AED'000	Three months ended 30 June 2013 (Unaudited) AED'000
Operating revenue	12	61,310	77,490	30,445	39,413
Operating costs	13	(44,281)	(72,069)	(21,662)	(33,807)
Gross profit		17,029	5,421	8,783	5,606
Other income		1,204	6,451	705	5,586
General and administrative expenses	14	(10,861)	(10,057)	(6,147)	(5,513)
Operating profit for the period		7,372	1,815	3,341	5,679
Finance income		862	3,623	434	3,190
Finance costs	16	(6,361)	(28,247)	(1,759)	(13,687)
Finance costs - net		(5,499)	(24,624)	(1,325)	(10,497)
Share of profit/(loss) in joint ventures - net		1,824	(6,889)	1,142	(5,254)
Profit/(loss) for the period		3,697	(29,698)	3,158	(10,072)
Earnings/(loss) per share - Basic and diluted (AED)	17	0.0067	(0.0538)*	0.0057	(0.0183)*

* Earnings per share disclosure has been restated for the reduction in the share capital effective 23 June 2014 (Note 17).

Condensed consolidated interim statement of comprehensive income

	Six months ended		Three months ended	
	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000
Profit/(loss) for the period	3,697	(29,698)	3,158	(10,072)
Other comprehensive income:				
Items that may be subsequently reclassified to income statement				
Effective portion of change in fair value of interest rate swap hedges	-	25,274	-	12,706
Reclassification to income statement				
Interest rate swap hedge reserve recycled to the condensed consolidated income statement	-	(11,759)	-	(5,935)
Other comprehensive income for the period	-	13,515	-	6,771
Total comprehensive income/(loss) for the period	3,697	(16,183)	3,158	(3,301)

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of changes in equity

	Share Capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Accumulated (losses) AED'000	Total AED'000
Balance at 1 January 2013	1,655,000	31,546	(29,148)	(477,672)	1,179,726
Comprehensive income					
Loss for the period	-	-	-	(29,698)	(29,698)
Other comprehensive income					
Hedge reserve	-	-	13,515	-	13,515
Total comprehensive income/(loss) for the period	-	-	13,515	(29,698)	(16,183)
Balance at 30 June 2013 (unaudited)	1,655,000	31,546	(15,633)	(507,370)	1,163,543
Balance at 1 January 2014	1,655,000	31,546	-	(1,405,349)	281,197
Reduction of share capital (Note 18)	(1,103,333)	-	-	1,103,333	-
Comprehensive income					
Profit for the period	-	-	-	3,697	3,697
Other comprehensive income					
Hedge reserve	-	-	-	-	-
Total comprehensive income for the period	-	-	-	3,697	3,697
Balance at 30 June 2014 (unaudited)	551,667	31,546	-	(298,319)	284,894

The notes on pages 7 to 25 are an integral part of these condensed consolidated interim financial information.

Condensed consolidated interim statement of cash flows

	Note	Six months ended 30 June 2014 (Unaudited) AED'000	Six months ended 30 June 2013 (Unaudited) AED'000
Operating activities			
Profit/(loss) for the period		3,697	(29,698)
Adjustments for:			
Depreciation		17,351	31,975
Share of (profit)/ loss in jointly controlled entities		(1,824)	6,889
Reversal of provision for impairment of trade receivables		(256)	-
Profit on sale of property		(30)	(242)
Provision for employees' end of service benefits		306	106
Finance income		(862)	(872)
Finance costs		6,361	28,247
Operating cash flows before working capital changes and payment of employees' end of service benefits		24,743	36,405
Payment for employees' end of service benefits		(83)	(268)
Changes in working capital:			
Inventories		(1,064)	(762)
Trade and other receivables before movement in provision for impairment of trade receivables		1,081	2,076
Due from related parties (excluding interest receivable)		(382)	(124)
Trade and other payables (excluding dividend payable)		15,954	10,501
Due to related parties		2,008	2,326
Net cash generated from operating activities		42,257	50,154
Investing activities			
Proceeds from sale of asset held for sale		368,200	-
Purchase of vessels and equipment	5	(4,229)	(3,823)
Proceeds from disposal of property		30	7,320
Interest received		295	18
Withdrawal of term deposit		-	25,800
Net cash generated from investing activities		364,296	29,315
Financing activities			
Repayment of borrowings		(390,045)	(60,318)
Interest paid		(30,852)	(28,247)
Net cash used in financing activities		(420,897)	(88,565)
Net decrease in cash and cash equivalents		(14,344)	(9,096)
Cash and cash equivalents at beginning of the period		21,931	38,802
Cash and cash equivalents at end of the period		7,587	29,706

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2014

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:

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

The Group also has interest 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%

These condensed interim financial statements were approved for issue on 25 July 2014.

These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the six month period ended 30 June 2014 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. This condensed consolidated interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The condensed consolidated interim financial information have been prepared under the historical cost convention, except for derivative financial instruments which are stated at fair value.

Going concern

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

As of 30 June 2014, the Group had accumulated losses of AED 298,319 thousand which represents more than one half of the share capital. In accordance with the UAE Federal Law No 8. of 1984 (as amended), an extraordinary general meeting ("EGM") of the shareholders was convened on 5 January 2014 and a resolution was obtained from the shareholders to enable the Group to continue as a going concern. The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defense and/or negotiations. At 30 June 2014, the Group continued to remain in breach of the terms of the loan agreements with its lenders. These breaches gave the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities as at 30 June 2014, which resulted in a net current liability position of AED 684,342 thousand as of that date.

During the year ended 31 December 2013, two of the Group's vessels, Gulf Sheba and Gulf Eyadah, were arrested at the instructions of the lenders at the Port of Rotterdam and at the Port of Bahamas respectively. Notwithstanding such arrest, management continued discussions with its lenders to proceed for a consensual sale of both vessels and restructure the payment of the shortfall of loans relating to these vessels. In February 2014, the Group completed the sale of the aforesaid two vessels for a total consideration of AED 368,200 thousand including the bunker inventory on the vessels. After applying the full proceeds from the aforesaid sale against the loan balances there is a shortfall of AED 36,471 thousand (Note 10).

On 24 July 2014, the lenders of Gulf Eyadah commenced proceedings against Gulf Eyadah Corporation and the Company in respect of the shortfall of AED 29,953 thousand pertaining to the vessel. Notwithstanding such action, the Group's management are continuing discussions with the lenders to restructure the repayment of the shortfall and arrive at a mutually acceptable arrangement. If the Group is unable to agree the required restructuring of the remaining loan related to the vessels and in the absence of other financing or legal alternatives including filing of counterclaim, the Group would be dependent on market based asset values to repay its borrowings.

2 Basis of preparation and accounting policies (continued)

Going concern (continued)

As a result, there exists a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise.

As of the date of authorisation of this condensed consolidated interim financial information, the discussions with the lenders are in progress and the Group believes that a mutually acceptable arrangement will be reached. Management are also considering various options for raising finance to fund the Group's working capital and future investment requirements.

The Directors, after reviewing the Group's cash flow forecasts and strategic plans for a period of not less than 12 months, from the date of the signing of this condensed consolidated interim financial information and after reviewing the status of the Group's legal defence and/or plans for negotiating a settlement in respect of the adverse arbitration awards, have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future.

The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial information.

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

The Group has adopted certain new standards and amendments which have been issued and are effective from period beginning 1 January 2014:

- IAS 32 (amendment), 'Financial Instruments: Presentation' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of Assets' (effective from 1 January 2014); and
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement' (effective from 1 January 2014).

There are no other IFRSs, amendments or IFRIC interpretations that are effective that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

b) *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted by the Group*

Certain new amendments to existing standards have been published and are mandatory for the Group's accounting period beginning after 1 January 2014 or later period but have not early adopted by the Group:

- IFRS 9, 'Financial Instruments' (effective date deferred by IASB)

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

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

2 Basis of preparation and accounting policies (continued)

Functional and presentation currency

Items included in the interim financial information of each of the Group's subsidiaries and joint ventures (together, "entities") are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). Since most of the transactions of the entities are denominated in US Dollar ("USD") or currencies pegged to the USD, the functional currency of the entities is USD. However, the condensed consolidated interim financial information of the Group is presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

Basis of consolidation

The condensed consolidated interim financial information at and for the six month period ended 30 June 2014, 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 2013.

Estimates and judgements

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements for the year ended 31 December 2013.

3 Critical accounting estimates and judgements

Impairment of vessels

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

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

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

Estimated impairment of goodwill

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

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

If the budgeted gross margin used in the value in use calculation of the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 30 June 2014, the Group would have recognised an impairment charge against goodwill of AED 35,680 thousand.

If the estimated cost of capital used in determining the pre-tax discount rate for the vessel chartering CGU had been 0.5% higher than management's estimates, the Group would have recognised an impairment charge against goodwill of AED 41,667 thousand.

4 Operating segments

Business segments

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

The Group comprises the following main business segments:

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

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

Effective 1 October 2013, the Group re-allocated the activities and results of its crew boat operations to its vessel owning and chartering segment, these crew boats are now reviewed by the Board of Directors and chief operating decision-maker as part of such segment notwithstanding that operational management is delegated to the agency division. In line with this change, the prior period segment information has been restated accordingly.

The effect of restatement on this condensed consolidated interim financial information is summarised below:

	Vessel owning and chartering (Previously stated)	Effect of reclassific-ation	Vessel owning and chartering (Restated)	Agency (Previously stated)	Effect of reclassific-ation	Agency (Restated)
	For the six month period ended 30 June 2013 (Unaudited)					
Operating revenue	63,103	5,561	68,664	13,160	(5,561)	7,599
Finance income	2,760	-	2,760	-	-	-
Other income	5,420	-	5,420	30	-	30
Operating costs	(63,049)	(3,109)	(66,158)	(8,193)	3,109	(5,084)
Finance costs	(27,023)	-	(27,023)	(20)	-	(20)
General and administrative expenses	(660)	(949)	(1,609)	(1,898)	949	(949)
Share of (loss) / profit in jointly controlled entities – net	-	-	-	-	-	-
Reportable segment (loss) / profit	(19,449)	1,503	(17,946)	3,079	(1,503)	1,576

4 Operating segments (continued)

Business segments (continued)

For the six month period ended 30 June 2014, operating revenue and net profit attributable to crew boat operations amounted to AED 5,659 thousand and AED 3,075 thousand respectively. As of 30 June 2014, total reportable assets and liabilities attributable to crew boat operations amounted to AED 6,692 thousand (31 December 2013: AED 7,060 thousand) and AED Nil (31 December 2013: AED Nil) respectively.

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 its performance, and for which discrete financial information is available.

4 Operating segments (continued)

Information about reportable segments
All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	For the six month period ended 30 June 2014 (Unaudited)						For the six month period ended 30 June 2013 (Unaudited)					
Operating revenue	52,420	1,787	7,103	-	-	61,310	68,664	1,227	7,599	-	-	77,490
Finance income	-	-	-	862	-	862	2,760	-	-	863	-	3,623
Other income	36	447	69	652	-	1,204	5,420	323	30	678		6,451
Operating costs	(38,086)	(1,349)	(4,884)	-	38	(44,281)	(66,158)	(865)	(5,084)	-	38	(72,069)
Finance costs	(5,973)	(1)	(18)	(369)	-	(6,361)	(27,023)	(1)	(20)	(1,203)	-	(28,247)
General and administrative expenses	(2,034)	(452)	(1,021)	(7,354)	-	(10,861)	(1,609)	(447)	(949)	(7,052)	-	(10,057)
Share of profit/(loss) in jointly controlled entities	-	-	-	1,824	-	1,824	-	-	-	(6,889)	-	(6,889)
Reportable segment profit/ (loss)	6,363	432	1,249	(4,385)	38	3,697	(17,946)	237	1,576	(13,603)	38	(29,698)

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	At 30 June 2014 (Unaudited)						At 31 December 2013 (Audited)					
Reportable segment assets	3,596,292	17,424	71,887	2,554,984	(5,921,927)	1,031,664	3,853,422	14,906	65,722	3,341,384	(5,850,989)	1,424,445
Reportable segment liabilities	4,014,079	16,861	45,980	2,554,984	(5,885,134)	746,770	4,504,525	14,776	43,487	2,394,616	(5,814,156)	1,143,248

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2014 (continued)

4 Operating segments (continued)

Information about reportable segments
All figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
	For the three month period ended 30 June 2014 (Unaudited)						For the three month period ended 30 June 2013 (Unaudited)					
Operating revenue	26,912	891	2,642	-	-	30,445	34,278	645	4,490	-	-	39,413
Finance income	-	-	-	434	-	434	2,755	-	-	435	-	3,190
Other income	-	230	45	430		705	5,191	161	16	218		5,586
Operating costs	(19,311)	(647)	(1,723)	-	19	(21,662)	(30,304)	(452)	(3,070)	-	19	(33,807)
Finance costs	(1,534)	(1)	(6)	(218)	-	(1,759)	(12,579)	(1)	(8)	(1,099)	-	(13,687)
Administrative expenses	(610)	(236)	(504)	(4,797)	-	(6,147)	(987)	(224)	(492)	(3,810)	-	(5,513)
Share of loss in jointly controlled entities	-	-	-	1,142	-	1,142	-	-	-	(5,254)	-	(5,254)
Reportable segment (loss) / profit	5,457	237	454	(3,009)	19	3,158	(1,646)	129	936	(9,510)	19	(10,072)

5 Vessels, property and equipment

Vessels with a book value of AED 670,735 thousand (31 December 2013: AED 685,772 thousand) are mortgaged as security for borrowings (Note 10).

During the year ended 31 December 2013, the Group's two vessels, which were re-classified as held for sale, were arrested at the Port of Rotterdam and at the Port of Bahamas. The sale of these vessels was approved by the shareholders at the EGM on 5 January 2014 and further approved by the competent government authority. The Group completed the sale of the aforesaid vessels in February 2014 for a total consideration of AED 368,200 thousand including the bunker inventory on the vessels, accordingly an impairment charge of AED 262,661 thousand was recognised as part of the results for the year ended 31 December 2013.

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 provided for 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 has filed an appeal against the arbitration award within the stipulated period.

6 Goodwill

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

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

6 Goodwill (continued)

Key assumptions used in value-in-use calculations are:

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

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Growth rate	2%	2%

Discount rates
8.3% (2013: 8%) reflects management's benchmark for evaluating investment proposals.

Based on the above computation, an impairment charge of AED 292,804 thousand was recognised as part of the results for the year ended 31 December 2013, no such charge has been made for the six month period ended 30 June 2014. Refer note 3 for the related sensitivity analysis.

7 Trade and other receivables

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Current		
Trade receivables	25,694	24,338
Less: provision for impairment of trade receivables	(16,460)	(16,716)
	9,234	7,622
Awards receivable	5,914	5,914
Advances to suppliers	1,319	4,311
Prepayments	2,557	1,477
Other receivables	8,466	8,991
	27,490	28,315

8 Cash and bank balances

Cash on hand	164	155
Cash at bank	18,567	33,046
Cash and bank balances	18,731	33,201
Less: cash held in banks for payment of dividends	(11,144)	(11,270)
Cash and cash equivalents	7,587	21,931

9 Trade and other payables

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Trade payables	19,437	19,391
Dividend payable	11,144	11,270
Advance from customers	7,403	8,626
Other accruals and payables	193,994	233,665
	231,978	272,952

10 Borrowings

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Current		
Borrowings	485,486	843,221

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 2014	190,792	470,860	181,569	843,221
Add: reclassification of payables	7,477	-	21,858	29,335
Add: charges and interest during the period	1,149	-	1,826	2,975
Less: sales proceeds applied	(192,900)	-	(175,300)	(368,200)
Less: repaid during the period	-	(21,845)	-	(21,845)
Balance at 30 June 2014	6,518	449,015	29,953	485,486
Average nominal interest rate	3.00%	0.95%	3.00%	2.30%
Balance at 1 January 2013	207,541	531,893	190,711	930,145
Less: repaid during the year	(16,749)	(61,033)	(9,142)	(86,924)
Balance at 31 December 2013	190,792	470,860	181,569	843,221
Average nominal interest rate	3.60%	1.05%	3.60%	2.75%

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire ships 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 30 June 2014 represents the shortfall after applying the proceeds from the sale of the related vessel.

10 Borrowings (continued)

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire the ships amounting to AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand by 31 March 2019. A repayment of AED 21,845 thousand was made during the period.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire ships 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 30 June 2014 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 vessels mortgage; and
- 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; and
- ensure that the aggregate free market value of the vessels is over a certain percentage of the net debt.

At 30 June 2014, the Group continued to remain in breach of the terms of its agreement with its lenders. The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 30 June 2014. The Group's management are in discussions with these lenders to restructure the repayment of the shortfall in term loans I and III above (Note 2) and is negotiating with the lenders to regularise the agreement in relation to term loan II.

In relation the shortfall for term loans I and III, a conditional settlement agreement was signed by the Group with the lenders on 28 November 2013, whereby the parties agreed to discuss the rescheduling of the shortfall, on the basis that the repayment of the shortfall shall commence after 1 January 2015. The shortfall is expected to be settled by 31 July 2017. As of the reporting date, discussions continue with the lenders to determine the final amount of the shortfall and finalise a mutually acceptable repayment plan.

11 Related party transactions and balances

Related parties include major shareholders, directors, key management personnel of the Group, and their related entities. Pricing policies and terms of these transactions are approved by the Group's management. During the period, the Group entered into following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions.

	Six months ended		Three months ended	
	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000
Management fee charged by the joint venture	2,209	2,394	1,012	1,197
Sale of building to a director	-	7,320	-	-
Office rental charged by director/shareholder	397	214	214	186

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

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Due from a related party - Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	25,631
Due from related parties – current		
Gulf Stolt Tankers DMCCO (Joint venture)	4,711	4,143
Gulf Stolt Ship Management Group JLT (Joint venture)	2,364	1,983
	7,075	6,126
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	8,153	6,736
Due to Directors for directors fee	2,659	2,068
	16,726	14,718
Loan from related parties		
Directors/shareholders (iii)	10,980	10,980

(i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum.

11 Related party transactions and balances (continued)

(ii) Amounts due to the shareholders of Gulf Navigation LLC represent a payable in respect of an amount of AED 5,914 thousand (2013: AED 5,914 thousand) retained to cover the extent of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade accounts receivable 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 un-recovered amount will be set-off against amounts payable to them.

(iii) The Group's drawn down loans from directors/shareholders on following terms:

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
Balance at 1 January 2013	-	-	-	-
Add: Amount availed	3,660	3,660	3,660	10,980
Balance at 31 December 2013 and 30 June 2014	3,660	3,660	3,660	10,980
Effective nominal interest rate	6.5%	10%	6.5%	7.66%

Key management remuneration

	Six months ended		Three months ended	
	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000
Salaries and benefits	900	1,157	444	653
End of service benefits	-	16	-	-
	900	1,173	444	653

12 Operating revenue

Vessel chartering	46,761	63,103	24,130	31,773
Ship agency	12,762	13,160	5,424	6,995
Commercial agency	1,787	1,227	891	645
	61,310	77,490	30,445	39,413

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2014 (continued)

13 Operating costs

	Six months ended		Three months ended	
	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000
Vessel chartering:				
Ship running	18,319	29,321	9,296	12,943
Vessel depreciation	15,536	29,521	8,059	14,842
Amortisation of dry docking cost	1,294	1,092	723	609
Ship repair	324	2,102	-	380
Others	-	983	-	41
Ship agency:				
Operating cost	7,091	7,832	2,745	4,364
Vessel depreciation	368	353	192	177
Commercial agency	1,349	865	647	451
	44,281	72,069	21,662	33,807

14 General and administrative expenses

Staff costs (Note 15)	4,547	4,608	2,310	2,156
Professional fees	1,764	2,429	296	1,664
Reversal of impairment of trade receivables	(256)	(35)	(247)	-
Other administrative expenses	4,806	3,055	3,788	1,693
	10,861	10,057	6,147	5,513

15 Staff costs

Salaries and wages	3,280	3,481	1,702	1,692
Employees' end of service benefits	304	106	79	31
Other benefits	963	1,021	529	433
	4,547	4,608	2,310	2,156

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2014 (continued)

16 Finance costs

	Six months ended		Three months ended	
	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000	30 June 2014 (Unaudited) AED'000	30 June 2013 (Unaudited) AED'000
Interest on bank borrowings	6,361	16,488	1,759	7,752
Interest rate swap hedge reserve recycled to the consolidated income statement	-	11,759	-	5,935
	6,361	28,247	1,759	13,687

17 Earnings/(loss) per share

Profit/(loss) for the period (in thousands)	3,697	(29,698)	3,158	(10,072)
Number of shares	551,666,666	551,666,666	551,666,666	551,666,666
Basic and diluted loss per share	AED 0.0067	(AED 0.0538)	AED 0.0057	(AED 0.0183)

In accordance with IAS 33 – Earnings Per Share, the impact of the reduction in the Company's share capital effective from 23 June 2014 (Note 18) has been considered retrospectively while computing the number of ordinary shares during all periods presented.

18 Share capital

Authorised, issued and fully paid up:

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
303,333,333 shares of AED 1 each (2013: 910,000,000 shares of AED 1 each paid in cash)	303,333	910,000
248,333,333 shares of AED 1 each (2013: 745,000,000 shares of AED 1 each paid in kind) (i)	248,334	745,000
	551,667	1,655,000

(i) Assets and liabilities of Gulf Navigation Holding LLC, were transferred to Gulf Navigation Holding PJSC as an in-kind contribution for 45% shareholding in the PJSC.

18 Share capital (continued)

An EGM was held on 5 January 2014 in which an approval from the shareholders was obtained for the reduction of share capital by an amount of AED 1,103,333,334 to become AED 551,666,666 after reduction and the resulting cancellation of shares to the extent of the capital reduction by way of writing off the accumulated losses, and a granting of authority to the Board of Directors to take all necessary actions and obtain all required consents from the competent authorities to complete the capital reduction and amend the Company's Articles of Association.

Moreover, an approval was also given to the Company for its plan to increase the share capital by issuance of mandatory convertible bonds of up to AED 476 million and authorising the Board of Directors to take all necessary actions to issue the bonds including the negotiation and approval of the issuance terms, sign agreements with all concerned parties as may be required for the issuance of the bonds. The Board of Directors is authorised to issue the bonds in multiple tranches up to the said amount within five years from the date of the EGM. The shares to be issued against the bonds at the time of conversion would be of a value not less than the par value of the shares.

Further, approval was given to amend the Company's Articles of Association and permit an increase in the foreign ownership from 20% to 49% of share capital.

The reduction in the share capital has been recorded based on a letter dated 26 June 2014 from the Securities & Commodities Authority communicating the Ministerial Decision No. 396 of 2014, issued on 23 June 2014 approving the increase in the foreign ownership and reduction in the share capital. The increase in the foreign ownership (from 20% to 49%) and the reduction in share capital (from 1,655,000,000 shares to 551,666,666 shares), have been executed and reflected on the Dubai Financial Market subsequent to the period end in July 2014, respectively.

19 Non-current assets held for sale

Following the arrest of two of the Group's vessels during the year ended 31 December 2013 (Note 5) and based on discussions with lenders, management took a decision to sell both the vessels. Accordingly, these vessels are presented as non-current assets held for sale at their respective estimated net realisable values as at 31 December 2013.

The sale of these vessels was approved by the shareholders at the EGM on 5 January 2014 and further approved by the competent government authority. The Group has completed the sale of the aforesaid vessels in February 2014 for a total consideration of AED 368,200 thousand including the bunker inventory on these vessels, accordingly an impairment charge of AED 262,661 thousand had been recognised in the results for the year ended 31 December 2013.

19 Non-current assets held for sale (continued)

The assets of the disposal group classified as held for sale at 31 December 2013 were as follows:

	31 December 2013 (Audited) AED'000
Assets of a disposal group classified as held for sale	
Net book value of the vessels	620,971
Inventory	9,890
	630,861
Net realisable value adjustment on vessels classified as held for sale	(262,661)
Net recoverable value	368,200

There were no non-current assets held for sale as at 30 June 2014.

20 Operating leases as a lessor

The Group leases out its marine vessels under operating leases (time charters). Time charters run for periods ranging from one month to fifteen years. The lease rental is usually negotiated to reflect market rentals upon entering into / renewal of the charter. Future minimum lease rentals receivables under the non-cancellable operating leases are as follows:

	30 June 2014 (Unaudited) AED'000	31 December 2013 (Audited) AED'000
Not later than one year	98,857	98,857
Between one year and five years	394,546	395,426
Beyond five years	423,080	471,439
	916,483	965,722