

Gulf Navigation Holding PJSC

**Condensed consolidated interim financial information
(Unaudited) for the three month period ended 31 March 2013**

Gulf Navigation Holding PJSC

Condensed consolidated interim financial information (Unaudited) for the three month period ended 31 March 2013

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as 'the Group') as of 31 March 2013 and the related condensed consolidated interim income statement and condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard ("IAS") 34: 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Emphases of matter

We draw attention to Note 2 to the condensed consolidated interim financial information. As described in Note 2, the Group incurred a loss of AED 19,626 thousand during the three month period ended 31 March 2013 and, as of that date; the Group had accumulated losses of AED 497,298 thousand. The ability of the Group to continue as a going concern is reliant upon the continued availability of external debt financing. At 31 March 2013, the Group was in breach of the terms of an agreement with its lenders, which was drawn up to reset the Group's debt and cash covenants for the period from 24 November 2011 to 31 March 2013 (Note 6). The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 March 2013.



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

Emphases of matter (continued)

This has resulted in the Group having a net current liability position at 31 March 2013 of AED 867,176 thousand. If the Group is not able to agree the required covenant amendments, and in the absence of other financing alternatives, the Group would be dependent on market based asset values to repay its borrowings. 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.

The Group continues to be in discussion with the lenders to eliminate the above mentioned breach to remove the possibility of immediate demand of payment. As of the date of authorisation of this condensed consolidated interim financial information, discussions with the lenders are in progress with the expectation that agreement will be reached with the lenders in 2013. The Directors are considering various options for raising finance in 2013 to fund the Group's working capital requirements. The Directors, after reviewing the Group's cash flow forecasts and strategic plans for a period beyond 12 months, from the date of the signing of this condensed consolidated interim financial information, 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 this condensed consolidated interim financial information. Our conclusion is not qualified in respect of this matter.

We also draw attention to Note 4 to the condensed consolidated interim financial information. As described in Note 4, the Group 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 March 2013 is AED 106,506 thousand. Discussions have been continuing with the Contractor in relation to new contractual terms. However, alongside these discussions, the Contractor issued Notices of Termination for the two contracts and filed a claim to retain the first installment and/or damages for any loss suffered. The Group has responded with its own legal action in response and preparations have been made for an arbitration hearing in London.

The Group received a legal opinion on this issue and believes that there are good technical arguments why the Notices of Termination were wrongful and were sent by the Contractor in repudiatory breach of the Shipbuilding Contracts. Based on this legal opinion, the Group is confident that the amount advanced to the Contractor is recoverable and that there are no further commitments under the existing contracts. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers

14 May 2013

Paul Suddaby

Registered Auditor Number 309

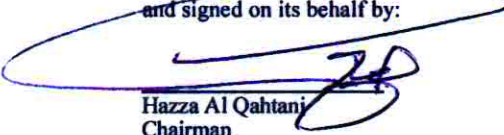
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

| | Note | At 31 Mar 13 (Unaudited) AED'000 | At 31 Dec 12 (Audited) AED'000 |
|---|------|--|--------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Vessels and equipment | 4 | 1,477,121 | 1,500,085 |
| Goodwill | | 428,803 | 428,803 |
| Investment in joint ventures | | 110,267 | 111,902 |
| Due from a related party | 7 | 25,631 | 25,631 |
| | | <u>2,041,822</u> | <u>2,066,421</u> |
| Current assets | | | |
| Inventories | | 9,843 | 9,290 |
| Due from related parties | 7 | 4,016 | 3,671 |
| Trade and other receivables | 5 | 44,282 | 44,944 |
| Term deposit | | 127 | 25,927 |
| Cash and cash equivalents | | 43,985 | 50,215 |
| | | <u>102,253</u> | <u>134,047</u> |
| Total assets | | <u>2,144,075</u> | <u>2,200,468</u> |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the Group | | | |
| Share capital | | 1,655,000 | 1,655,000 |
| Statutory reserve | | 31,546 | 31,546 |
| Accumulated losses | | (497,298) | (477,672) |
| | | <u>1,189,248</u> | <u>1,208,874</u> |
| Hedging reserve for interest rate swaps | | (22,404) | (29,148) |
| Total equity | | <u>1,166,844</u> | <u>1,179,726</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees' end of service benefits | | 1,325 | 1,412 |
| Interest rate swap liabilities | | 6,477 | 7,105 |
| | | <u>7,802</u> | <u>8,517</u> |
| Current liabilities | | | |
| Trade and other payables | | 59,499 | 50,448 |
| Due to related parties | 7 | 10,435 | 9,589 |
| Interest rate swap liabilities | | 15,927 | 22,043 |
| Borrowings | 6 | 883,568 | 930,145 |
| | | <u>969,429</u> | <u>1,012,225</u> |
| Total liabilities | | <u>977,231</u> | <u>1,020,742</u> |
| Total equity and liabilities | | <u>2,144,075</u> | <u>2,200,468</u> |

The condensed consolidated interim financial information was approved by the Board of Directors on 14 May 2013 and signed on its behalf by:


Hazza Al Qahtani
Chairman

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

(3)

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement for the three month period ended 31 March 2013

| | Note | 31 Mar 13 (Unaudited) AED'000 | 31 Mar 12 (Unaudited) AED'000 |
|---|------|-------------------------------------|-------------------------------------|
| Operating revenue | 8 | 38,077 | 54,786 |
| Voyage related direct costs | 9 | (527) | (8,276) |
| Other operating costs | 10 | (37,735) | (33,545) |
| Gross (loss) / profit | | <u>(185)</u> | <u>12,965</u> |
| Other income | | 865 | 399 |
| Administrative expenses | 11 | (4,544) | (4,867) |
| Operating (loss) / profit for the period | | <u>(3,864)</u> | <u>8,497</u> |
| Finance income | | 433 | 649 |
| Finance costs | 14 | (14,560) | (14,845) |
| Finance costs – net | | <u>(14,127)</u> | <u>(14,196)</u> |
| Share of loss in joint ventures - net | | <u>(1,635)</u> | <u>(2,131)</u> |
| Loss for the period | | <u>(19,626)</u> | <u>(7,830)</u> |
| Loss per share | | | |
| - Basic and diluted (AED) | 13 | <u>(0.0119)</u> | <u>(0.0050)</u> |

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income for the three month period ended 31 March 2013

| | 31 Mar 13 (Unaudited) AED'000 | 31 Mar 12 (Unaudited) AED'000 |
|---|-------------------------------------|-------------------------------------|
| Loss for the period | (19,626) | (7,830) |
| Other comprehensive income: | | |
| Effective portion of change in fair value of interest rate swap hedges | 12,679 | 9,899 |
| Interest rate swap hedge reserve recycled to income statement | (5,935) | (6,284) |
| Other comprehensive income for the period | <u>6,744</u> | <u>3,615</u> |
| Total comprehensive loss for the period | <u>(12,882)</u> | <u>(4,215)</u> |

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Condensed consolidated interim statement of changes in equity for the three month period ended 31 March 2013

| | Share capital AED'000 | Statutory reserve AED'000 | Reserve for own shares AED'000 | Accumulated losses AED'000 | Hedging reserve for interest rate swaps AED'000 | Total AED'000 |
|--|-----------------------------|---------------------------------|--------------------------------------|----------------------------------|---|------------------|
| Balance at 1 January 2012 | 1,655,000 | 31,546 | (46,706) | (303,502) | (47,804) | 1,288,534 |
| Comprehensive income | | | | | | |
| Loss for the period | - | - | - | (7,830) | - | (7,830) |
| <i>Other comprehensive income</i> | | | | | | |
| Hedge reserve | - | - | - | - | 3,615 | 3,615 |
| Total comprehensive (loss) / income for the period | - | - | - | (7,830) | 3,615 | (4,215) |
| Balance at 31 March 2012 (unaudited) | <u>1,655,000</u> | <u>31,546</u> | <u>(46,706)</u> | <u>(311,332)</u> | <u>(44,189)</u> | <u>1,284,319</u> |
| Balance at 1 January 2013 | 1,655,000 | 31,546 | - | (477,672) | (29,148) | 1,179,726 |
| Comprehensive income | | | | | | |
| Loss for the period | - | - | - | (19,626) | - | (19,626) |
| <i>Other comprehensive income</i> | | | | | | |
| Hedge reserve | - | - | - | - | 6,744 | 6,744 |
| Total comprehensive (loss) / income for the period | - | - | - | (19,626) | 6,744 | (12,882) |
| Balance at 31 March 2013 (unaudited) | <u>1,655,000</u> | <u>31,546</u> | <u>-</u> | <u>(497,298)</u> | <u>(22,404)</u> | <u>1,166,844</u> |

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows for the three month period ended 31 March 2013

| | Note | 31 Mar 13 (Unaudited) AED'000 | 31 Mar 12 (Unaudited) AED'000 |
|--|------|-------------------------------------|-------------------------------------|
| Operating activities | | | |
| Loss for the period | | (19,626) | (7,830) |
| Adjustments for: | | | |
| Depreciation | | 15,889 | 16,097 |
| Share of loss in joint ventures - net | | 1,635 | 2,131 |
| Reversal of provision for impairment of trade receivables | 11 | (35) | - |
| Profit on sale of fixed asset | | (242) | - |
| Provision for employees' end of service benefits | | 75 | 107 |
| Finance income | | (433) | (649) |
| Finance costs | 14 | 14,560 | 14,845 |
| | | <hr/> | <hr/> |
| Operating profit before working capital changes and payment of employees end of service benefits | | 11,823 | 24,701 |
| Employees end of service benefits paid | | (162) | (83) |
| Changes in working capital: | | | |
| Inventories | | (553) | 13,512 |
| Trade and other receivables before movement in provision for impairment of trade receivables | | 697 | (4,264) |
| Trade and other payables | | 6,228 | (11,251) |
| Due to related parties | | 846 | 3,361 |
| Due from related parties before interest receivable | | 80 | 2,677 |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 18,959 | 28,653 |
| | | <hr/> | <hr/> |
| Investing activities | | | |
| Purchase of vessels and equipment | | (3) | (1,025) |
| Proceeds from sale of a fixed asset | 4 | 7,320 | - |
| Interest received | | 8 | 649 |
| Withdrawal of term deposit | | 25,800 | 75,749 |
| | | <hr/> | <hr/> |
| Net cash provided from investing activities | | 33,125 | 75,373 |
| | | <hr/> | <hr/> |
| Financing activities | | | |
| Repayment of borrowings | 6 | (46,577) | (22,342) |
| Interest paid | | (11,737) | (14,845) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (58,314) | (37,187) |
| | | <hr/> | <hr/> |
| Net (decrease) / increase in cash and cash equivalents | | (6,230) | 66,839 |
| Cash and cash equivalents at beginning of the period | | 50,215 | (19,978) |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of the period | | 43,985 | 46,861 |
| | | <hr/> | <hr/> |

The notes on pages 8 to 19 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013

1 Reporting entity

Gulf Navigation Holding PJSC (“the Company” or “the Parent Company”) was incorporated on 30 October 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). The Company is primarily engaged in marine transportation of commodities, chartering vessels, ship agency, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services through its subsidiaries as listed below. The Company is operated from 32nd Floor, Suite number 3201, Saba Tower-1, Jumeirah Lake Towers, Dubai, United Arab Emirates.

The Company and its following directly or indirectly wholly owned subsidiaries are referred to as “the Group” in the condensed consolidated interim financial information:

| <i>Subsidiaries</i> | <i>Country of incorporation</i> |
|-------------------------------------|--|
| Gulf Navigation Group FZCO | United Arab Emirates |
| Gulf Navigation Ship Management FZE | United Arab Emirates |
| Gulf Ship FZE | United Arab Emirates |
| Gulf Crude Carriers LLC | United Arab Emirates |
| Gulf Chemical Carriers LLC | United Arab Emirates |
| Lam Gulf Maritime Co LLC | United Arab Emirates |
| Gulf Navigation and Brokerage LLC | Oman |
| Gulf Eyada Corporation | Panama |
| Gulf Sieb Shipping Inc | Panama |
| Gulf Jash Shipping Inc | Panama |
| Gulf Huwaylat Corporation | Panama |
| Gulf Deffi Corporation | Panama |
| Gulf Jalmuda Corporation | Panama |
| Gulf Fanatir Corporation | Panama |
| Gulf Ahmadi Shipping Inc | Marshal Islands |
| Gulf Mishref Shipping Inc | Marshal Islands |
| Gulf Mizwar Shipping Inc | Marshal Islands |
| Gulf Shagra Shipping Inc | Marshal Islands |
| Gulf Riyadh Shipping Inc | Marshal Islands |
| Gulf Safwa Shipping Inc | Marshal Islands |
| Gulf Sheba Shipping Limited | Hong Kong |
| Gulf Navigation Holding PJSC(Br) | Kingdom of Saudi Arabia |

The Group also has interest in the following joint ventures:

| <i>Joint ventures</i> | <i>Country of incorporation</i> | <i>Percentage of shareholding</i> |
|--------------------------------|--|--|
| Gulf Stolt Ship Management JLT | United Arab Emirates | 50% |
| Gulf Stolt Tankers DMCCO | United Arab Emirates | 50% |

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the three month period ended 31 March 2013 has been prepared in accordance with IAS 34: "Interim Financial Reporting". This condensed consolidated interim financial information does not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group at and for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Going concern

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

The Group incurred a loss of AED 19,626 thousand during the three month period ended 31 March 2013 and, as of that date; the Group had accumulated losses of AED 497,298 thousand. The ability of the Group to continue as a going concern is reliant upon the continued availability of external debt financing. At 31 March 2013, the Group is in breach of the terms of an agreement with its lenders, which was drawn up to reset the Group's debt and cash covenants for the period from 24 November 2011 to 31 March 2013 (Note 6). The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 March 2013. This resulted in the Group having a net current liability position at 31 March 2013 of AED 867,176 thousand. If the Group is not able to agree the required covenant amendments, and in the absence of other financing alternatives, the Group would be dependent on market based asset values to repay its borrowings. 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.

The Group continues to be in discussion with the lenders to eliminate the above mentioned breach to remove the possibility of immediate demand of payment. As of the date of authorisation of this condensed consolidated interim financial information, the discussions with the lenders are in progress with the expectation that agreement will be reached with the lenders in 2013. The Directors are considering various options for raising finance in 2013 to fund the Group's working capital requirements. The Directors, after reviewing its 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, 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.

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Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

2 Basis of preparation and accounting policies (continued)

a) New standards, amendments to published standards and interpretations

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 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 2013 or later period but have not early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2015); and
- IAS 32, (amendment), 'Financial instruments; Presentation' (effective 1 January 2014).

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

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

Functional and presentation currency

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

Basis of consolidation

The condensed consolidated interim financial information at and for the three month period ended 31 March 2013, 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.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

2 Basis of preparation and accounting policies (continued)

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 2012.

Estimates and judgements

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

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements at and for the year ended 31 December 2012.

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 2012.

3 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.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

3 Operating segments (continued)

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.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

3 Operating segments (continued)

Information about reportable segments All figures in AED '000

| | Vessel owning and chartering | | | Agency | | | Other | | | Inter segment elimination | | | Total | | |
|--------------------------------------|--|--------|---------|--|-------------|-----------|-------|--------|---------|---------------------------------|-------------|-----------|-----------|--------|---------|
| | For the three month period ended 31 March 2013 (Unaudited) | | | For the three month period ended 31 March 2012 (Unaudited) | | | | | | | | | | | |
| Operating revenue | 31,330 | 582 | 6,165 | - | - | - | - | - | - | - | - | - | 49,730 | 455 | 4,601 |
| Finance income | 5 | - | - | 428 | - | 433 | - | 644 | - | - | - | - | 5 | - | - |
| Other income | 229 | 162 | 14 | 460 | - | 865 | - | 218 | - | - | - | - | - | 170 | 11 |
| Operating costs | (34,220) | (413) | (3,648) | - | 19 | (38,262) | - | (347) | (2,641) | - | 13 | (41,821) | (38,846) | (347) | (2,641) |
| Finance costs | (14,444) | - | (12) | (104) | - | (14,560) | - | - | (8) | (52) | - | (14,845) | (14,785) | - | (8) |
| Administrative expenses | (165) | (223) | (914) | (3,242) | - | (4,544) | - | (228) | (877) | (3,611) | - | (4,867) | (151) | (228) | (877) |
| Share of loss in joint ventures- net | - | - | - | (1,635) | - | (1,635) | - | - | - | (2,131) | - | (2,131) | - | - | - |
| Reportable segment (loss) / profit | (17,265) | 108 | 1,605 | (4,093) | 19 | (19,626) | - | 50 | 1,086 | (4,932) | 13 | (7,830) | (4,047) | 50 | 1,086 |
| | At 31 March 2013 (Unaudited) | | | At 31 December 2012 (Audited) | | | | | | | | | | | |
| Reportable segment assets | 4,223,121 | 12,618 | 61,276 | 3,579,054 | (5,731,994) | 2,144,075 | - | 11,676 | 57,875 | 3,643,679 | (5,654,185) | 2,200,468 | 4,141,423 | 11,676 | 57,875 |
| Reportable segment liabilities | 4,348,433 | 12,958 | 36,482 | 2,274,458 | (5,695,100) | 977,231 | - | 12,125 | 34,686 | 2,274,382 | (5,617,265) | 1,020,742 | 4,316,814 | 12,125 | 34,686 |

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

4 Vessels and equipment

Vessels with a book value of AED 1,334,760 thousand (31 December 2012: AED 1,349,439 thousand) are mortgaged as security for borrowings (Note 6).

During the period, building with a net book value of AED 7,078 thousand (2012: Nil) was sold for a consideration of AED 7,320 thousand to a related party (Note 7) and leased back on an operating lease.

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 March 2013 is AED 106,506 thousand (31 December 2012: AED 106,506 thousand). Discussions have been 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 in response and preparations have been made for an arbitration hearing in London. The Group received a legal opinion on this issue and it believes that there are good technical arguments why the Notices of Termination were wrongful and were sent by the Contractor in repudiatory breach of the Shipbuilding Contracts. Based on this, the Group is confident that the advance given by the Group to the Contractor is recoverable and that there are no further commitments under the existing contracts.

5 Trade and other receivables

| | 31 March 2013 AED'000 (Unaudited) | 31 December 2012 AED'000 (Audited) |
|---|--|---|
| Current | | |
| Trade receivables (i) | 32,726 | 32,962 |
| Less: provision for impairment of trade receivables | (17,820) | (17,855) |
| | <hr/> | <hr/> |
| | 14,906 | 15,107 |
| Awards receivable | 5,914 | 5,914 |
| Advances to suppliers | 392 | 1,191 |
| Prepayments | 3,189 | 1,931 |
| Other receivables | 19,881 | 20,801 |
| | <hr/> | <hr/> |
| | 44,282 | 44,944 |
| | <hr/> | <hr/> |

- (i) An amount of AED 6,498 thousand is receivable from the Estate of Atlas Shipping A/S and is expected to receive during this year.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

6 Borrowings

| | 31 March 2013 AED'000 (Unaudited) | 31 December 2012 AED'000 (Audited) |
|----------------|--|---|
| Current | | |
| Borrowings | 883,568 | 930,145 |

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 2013 | 207,541 | 531,893 | 190,711 | 930,145 |
| Less: repaid during the period | (9,111) | (33,025) | (4,441) | (46,577) |
| Balance at 31 March 2013 | 198,430 | 498,868 | 186,270 | 883,568 |
| Average nominal interest rate | 3.60% | 1.05% | 3.60% | 2.75% |
| Balance at 1 January 2012 | 237,031 | 567,861 | 219,837 | 1,024,729 |
| Less: repaid during the year | (29,490) | (35,968) | (29,126) | (94,584) |
| Balance at 31 December 2012 | 207,541 | 531,893 | 190,711 | 930,145 |
| 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 the ships amounting to AED 402,600 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 20 semi annual instalments of AED 9,150 thousand commencing from 28 January 2008 and a final instalment of AED 116,754 thousand on 28 January 2018.

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 on 31 March 2019. During the current period, the repayment of AED 33,025 thousand includes AED 23,869 thousand, which has been paid as an early payment under the provision of an agreement drawn to reset the original debt covenants.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

6 Borrowings (continued)

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire the ships amounting to AED 337,295 thousand. This loan carries interest at LIBOR plus 2.8% per annum and is payable in 23 quarterly instalments commencing from 26 April 2011 and a final payment of AED 119,499 thousand on 26 January 2017.

The above bank loans are secured by the following:

- assignment of vessels mortgage;
- assignment of refund guarantee; and
- pledge of shares of subsidiaries owning these vessels.

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 31 March 2013, the Group is in breach of the terms of an agreement with its lenders, which was drawn up to reset the Group's debt and cash covenants for the period from 24 November 2011 to 31 March 2013. The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 March 2013. The Group is currently negotiating with its lenders and is confident that a decision will be reached with the lenders which will avoid a demand for immediate repayment of the loans and ensure compliance with the loan agreement (Note 2).

7 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.

| | 31 March 2013 AED'000 (Unaudited) | 31 March 2012 AED'000 (Unaudited) |
|--|--|--|
| Management fees charged by the joint venture | 1,197 | 983 |
| Sale of building to a director (Note 4) | 7,320 | - |
| Office rental charged by a director | 28 | - |

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

7 Related party transactions and balances (continued)

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

| | 31 March 2013 AED'000 (Unaudited) | 31 December 2012 AED'000 (Audited) |
|--|--|---|
| Due from related parties | | |
| Non-current | | |
| Gulf Stolt Tankers DMCCO (Joint venture) (i) | 25,631 | 25,631 |
| Due from related parties (continued) | | |
| Current | | |
| Gulf Stolt Tankers DMCCO (Joint venture) | 2,620 | 3,671 |
| Gulf Stolt Ship Management Group JLT (Joint venture) | 1,396 | - |
| | 4,016 | 3,671 |
| Due to related parties | | |
| Shareholders of Gulf Navigation LLC (ii) | 5,914 | 5,914 |
| Gulf Stolt Ship Management Group JLT (Joint venture) | 4,043 | 3,473 |
| Due to Directors for directors fee | 478 | 202 |
| | 10,435 | 9,589 |

- (i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST). It carries interest at a rate of 6.6% per annum.
- (ii) Amounts due to the shareholders of Gulf Navigation LLC represent a payable in respect of an amount of AED 5,914 thousand (2012: 5,914 thousand) retained to cover the extent of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represent amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

Key management remuneration

| | 31 March 2013 AED'000 (Unaudited) | 31 March 2012 AED'000 (Unaudited) |
|-------------------------|--|--|
| Salaries and benefits | 504 | 514 |
| End of service benefits | 16 | 16 |
| | 520 | 530 |

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

| | 31 March 2013 AED'000 (Unaudited) | 31 March 2012 AED'000 (Unaudited) |
|--|--|--|
| 8 Operating revenue | | |
| Vessel chartering | 31,330 | 49,730 |
| Ship agency | 6,165 | 4,601 |
| Commercial agency | 582 | 455 |
| | <u>38,077</u> | <u>54,786</u> |
| 9 Voyage related direct costs | | |
| Vessel chartering: | | |
| Commission on freight | - | 243 |
| Bunkering | - | 7,869 |
| Cargo related survey, hold cleaning charges and other related expenses | 527 | 164 |
| | <u>527</u> | <u>8,276</u> |
| 10 Other operating costs | | |
| Vessel chartering: | | |
| Ship running | 15,851 | 14,454 |
| Vessel depreciation | 14,679 | 14,842 |
| Amortisation of dry docking cost | 483 | 251 |
| Ship repair | 1,722 | 1,013 |
| Others | 942 | - |
| Ship agency: | | |
| Operating cost | 3,468 | 2,460 |
| Vessel depreciation | 176 | 178 |
| Commercial agency | 414 | 347 |
| | <u>37,735</u> | <u>33,545</u> |
| 11 Administrative expenses | | |
| Staff salaries and benefits (Note 12) | 2,452 | 2,860 |
| Professional fees | 765 | 170 |
| Reversal of impairment of trade receivables | (35) | - |
| Other administrative expenses | 1,362 | 1,837 |
| | <u>4,544</u> | <u>4,867</u> |

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2013 (continued)

| | 31 March 2013 AED'000 (Unaudited) | 31 March 2012 AED'000 (Unaudited) |
|---|--|--|
| 12 Staff costs | | |
| Salaries and wages | 1,789 | 2,164 |
| Employees end of service benefits | 75 | 107 |
| Other benefits | 588 | 589 |
| | <u>2,452</u> | <u>2,860</u> |
| 13 Loss per share | | |
| Loss for the period | <u>(19,626)</u> | <u>(7,830)</u> |
| Weighted average number of shares outstanding during the period (in thousands) | <u>1,655,000</u> | <u>1,572,576</u> |
| Basic and diluted loss per share | <u>(AED 0.0119)</u> | <u>(AED 0.0050)</u> |
| 14 Finance costs | | |
| Interest on bank borrowings | 8,625 | 8,561 |
| Interest rate swap hedge reserve recycled to the consolidated income statement | 5,935 | 6,284 |
| | <u>14,560</u> | <u>14,845</u> |

15 Operating leases as lessor

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

| | 31 March 2013 AED'000 (Unaudited) | 31 December 2012 AED'000 (Audited) |
|---------------------------------|--|---|
| Not later than one year | 101,528 | 101,528 |
| Between one year and five years | 406,114 | 406,114 |
| Beyond five years | 567,307 | 592,342 |
| | <u>1,074,949</u> | <u>1,099,984</u> |