Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the nine month period ended 30 September 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 30 September 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 nine 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, which states that the Group incurred a loss of AED 644.03 million during the nine month period ended 30 September 2013. As of that date, the Group had accumulated losses of AED 1,121.7 million and a net current liability position of AED 542.8 million. As a result, the accumulated losses have exceeded one half of the share capital and in accordance with UAE Federal Law No. 8 of 1984, there is a requirement to convene an extraordinary general meeting (EGM) and obtain a resolution from the shareholders to enable the Company to continue as a going concern. 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.

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

Emphases of matter (continued)

We also draw attention to Note 5 to the condensed consolidated interim financial information which describes the uncertainty related to the outcome of an arbitration hearing in relation to the construction of two new vessels and the recoverability of amounts advanced by the company of AED 106.5 million. Our conclusion is not qualified in respect of this matter.

PricewaterhouseCoopers
.14.. November 2013

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet

	Note	At 30 Sep 13 (Unaudited) AED'000	At 31 Dec 12 (Audited) AED'000
Assets			
Non-current assets			
Vessels, property and equipment	5	830,960	1,500,085
Goodwill	6	135,999	428,803
Investment in jointly controlled entities		106,146	111,902
Due from a related party	9	25,631	25,631
		1,098,736	2,066,421
Current assets			
Inventories		6,270	9,290
Trade and other receivables	7	37,728	44,944
Due from related parties	9	5,487	3,671
Term deposit		127	25,927
Cash and cash equivalents		36,252	50,215
		85,864	134,047
Assets of a disposal group classified as held for sale	10	316,020	-
		401,884	134,047
Total assets		1,500,620	2,200,468
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		(1,121,705)	(477,672)
		564,841	1,208,874
Hedging reserve for interest rate swaps		(10,240)	(29,148)
Total equity		554,601	1,179,726
Liabilities			
Non-current liabilities			
Employees' end of service benefits		1,341	1,412
Interest rate swap liabilities		-	7,105
		1,341	8,517
Current liabilities			
Trade and other payables		70,586	50,448
Due to related parties	9	13,483	9,589
Interest rate swap liabilities		10,240	22,043
Borrowings	8	850,369	930,145
		944,678	1,012,225
Total liabilities		946,019	1,020,742
Total equity and liabilities		1,500,620	2,200,468

The condensed consolidated interim financial information was approved by the Board of Directors on 12/11/2013 and signed on its behalf by:

Hazza Al Qahtani
Chairman

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement for the nine month period ended 30 September 2013

	Note	Nine months ended 30 Sep 13 (Unaudited) AED'000	Nine months ended 30 Sep 12 (Unaudited) AED'000	Three months ended 30 Sep 13 (Unaudited) AED'000	Three months ended 30 Sep 12 (Unaudited) AED'000
Operating revenue	11	117,947	153,009	40,457	46,061
Voyage related direct costs	12	(1,444)	(9,342)	(620)	(568)
Other operating costs	13	(107,372)	(101,908)	(36,127)	(32,249)
Gross profit		9,131	41,759	3,710	13,244
Other income		6,936	1,361	485	379
General and administrative expenses	14	(16,156)	(16,204)	(6,099)	(6,226)
Impairment of goodwill	6	(292,804)	-	(292,804)	-
Net realisable value adjustment on vessels classified as held for sale	5	(308,553)	-	(308,553)	-
Operating (loss) / profit for the period		(601,446)	26,916	(603,261)	7,397
Finance income		4,056	1,712	433	521
Finance costs		(41,087)	(44,621)	(12,840)	(15,484)
Finance costs – net		(37,031)	(42,909)	(12,407)	(14,963)
Share of (loss)/profit in jointly controlled entities		(5,556)	(12,692)	1,333	(8,753)
Loss for the period		(644,033)	(28,685)	(614,335)	(16,319)
Loss per share					
- Basic and diluted (AED)	16	(0.389)	(0.018)	(0.371)	(0.010)

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of comprehensive income for the nine month period ended 30 September 2013

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000
Loss for the period	(644,033)	(28,685)	(614,335)	(16,319)
Other comprehensive income:				
Effective portion of change in fair value of interest rate swap hedges	36,091	25,574	10,821	4,545
Interest rate swap hedge reserve recycled to the income statement	(17,183)	(18,833)	(5,428)	(6,170)
Other comprehensive income / (loss) for the period	18,908	6,741	5,393	(1,625)
Total comprehensive loss for the period	(625,125)	(21,944)	(608,942)	(17,944)

Condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2013

	Share capital AED'000	Statutory reserve AED'000	Hedging reserve for interest rate swaps AED'000	Reserve for own shares AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2012	1,655,000	31,546	(47,804)	(46,706)	(303,502)	1,288,534
Comprehensive income						
Loss for the period	-	-	-	-	(28,685)	(28,685)
Other comprehensive income						
Hedge reserve	-	-	6,741	-	-	6,741
Total comprehensive income/(loss) for the period	-	-	6,741	-	(28,685)	(21,944)
Transactions with owners						
Sale of treasury shares	-	-	-	-	20,370	20,370
Transfer of reserve to accumulated losses on sale of treasury shares	-	-	-	46,706	(46,706)	-
Balance at 30 September 2012 (unaudited)	1,655,000	31,546	(41,063)	-	(358,523)	1,286,960
Balance at 1 January 2013	1,655,000	31,546	(29,148)	-	(477,672)	1,179,726
Comprehensive income						
Loss for the period	-	-	-	-	(644,033)	(644,033)
Other comprehensive income						
Hedge reserve	-	-	18,908	-	-	18,908
Total comprehensive income/(loss) for the period	-	-	18,908	-	(644,033)	(625,125)
Balance at 30 September 2013 (unaudited)	1,655,000	31,546	(10,240)	-	(1,121,705)	554,601

The notes on pages 8 to 24 are an integral part of these condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2013

	Note	Nine months ended 30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000
Operating activities			
Loss for the period		(644,033)	(28,685)
Adjustments for:			
Depreciation		48,328	48,433
Impairment of goodwill	6	292,804	-
Net realisable value adjustment on vessels classified as held for sale	5	308,553	-
Provision for impairment of trade receivables		1,577	-
Share of loss in jointly controlled entities		5,556	12,692
Profit on sale of property		(242)	-
Provision for employees' end of service benefits		197	306
Finance income		(4,056)	(1,712)
Finance costs		41,087	44,621
Operating cash flows before working capital changes and payment of employees' end of service benefits		49,771	75,655
Payment for employees' end of service benefits		(268)	(133)
Changes in working capital:			
Inventories		(582)	11,612
Trade and other receivables		5,639	1,176
Due from related parties (excluding interest receivable)		2,418	2,054
Trade and other payables		20,138	(17,487)
Due to related parties		3,894	1,313
Net cash generated from operating activities		81,010	74,190
Investing activities			
Purchase of vessels and equipment		(7,252)	(5,704)
Proceeds from disposal of property	5	7,320	-
Interest received		22	419
Withdrawal of term deposit		25,800	90,973
Net cash generated from investing activities		25,890	85,688
Financing activities			
Repayment of borrowings		(79,776)	(58,326)
Interest paid		(41,087)	(44,621)
Proceeds from sale of shares		-	20,370
Net cash used in financing activities		(120,863)	(82,577)
Net (decrease) / increase in cash and cash equivalents		(13,963)	77,301
Cash and cash equivalents at beginning of the period		50,215	(19,978)
Cash and cash equivalents at end of the period		36,252	57,323

The notes on pages 8 to 24 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 nine month period ended 30 September 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 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 operates 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 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 Riyad 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 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%

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the nine month period ended 30 September 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 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 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.

The Group incurred a loss of AED 644,033 thousand during the nine month period ended 30 September 2013 and, as of that date; the Group had accumulated losses of AED 1,121,705 thousand which represents more than one half of the Group's share capital. In accordance with the UAE Federal Law No 8. of 1984, there is a requirement to convene an extraordinary general meeting ("EGM") of the shareholders and obtain a resolution from the shareholders to enable the Group to continue as a going concern. Therefore, the Directors have resolved to convene an EGM in December 2013 to put forward a resolution that the Group shall not be dissolved and continue its operations in the normal course of business. The ability of the Group to continue as a going concern is reliant upon obtaining the approval of the shareholders in the EGM and continued availability of external debt financing and additional equity. At 30 September 2013, the Group was in breach of the terms of the loan agreements with its lenders. Further during the period, the Group was unable to make payment of a loan instalment of USD 938 thousand (AED 3,433 thousand) which was due in July 2013 (Note 8). 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 at 30 September 2013. These events have resulted in the Group having a net current liability position at 30 September 2013 of AED 542,794 thousand. On 13 September 2013 and 4 October 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 is continuing its 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. If the Group is not able to agree the required restructuring of the remaining loan related to the vessels 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.

2 Basis of preparation and accounting policies (continued)

Going concern (continued)

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

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 been 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.

2 Basis of preparation and accounting policies (continued)

Basis of consolidation

The condensed consolidated interim financial information at and for the nine month period ended 30 September 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.

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, except as described below:

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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 2012.

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 2012.

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

2 Basis of preparation and accounting policies (continued)

Financial risk management (continued)

Fair value estimation (continued)

	Level 2 AED'000
30 September 2013	
Interest rate swap liabilities	10,240
31 December 2012	
Interest rate swap liabilities	29,148

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The Group did not have any other financial assets or liabilities that are measured at fair value at 30 September 2013 and 31 December 2012.

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.

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)

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 September 2013, the Group would have recognised a higher impairment charge against goodwill of AED 80,683 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 a higher impairment charge against goodwill of AED 77,623 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.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (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 nine month period ended 30 September 2013 (Unaudited)						For the nine month period ended 30 September 2012 (Unaudited)					
Operating revenue	96,018	1,991	19,938	-	-	117,947	136,763	1,704	14,542	-	-	153,009
Finance income	2,755	-	-	1,301	-	4,056	13	-	-	1,699	-	1,712
Other income	5,426	509	44	957		6,936	184	473	50	654		1,361
Operating costs	(94,875)	(1,413)	(12,586)	-	58	(108,816)	(102,049)	(1,261)	(7,982)	-	42	(111,250)
Finance costs	(39,847)	(2)	(30)	(1,208)	-	(41,087)	(44,475)	(1)	(24)	(121)	-	(44,621)
General and administrative expenses	(2,745)	(674)	(2,787)	(9,950)	-	(16,156)	(2,638)	(650)	(2,697)	(10,219)	-	(16,204)
Impairment of goodwill	(292,804)	-	-	-	-	(292,804)	-	-	-	-	-	-
Net realisable value adjustment on vessels classified as held for sale	(308,553)	-	-	-	-	(308,553)	-	-	-	-	-	-
Share of loss in jointly controlled entities	-	-	-	(5,556)	-	(5,556)	-	-	-	(12,692)	-	(12,692)
Reportable segment (loss) / profit	(634,625)	411	4,579	(14,456)	58	(644,033)	(12,202)	265	3,889	(20,679)	42	(28,685)
	At 30 September 2013 (Unaudited)						At 31 December 2012 (Audited)					
Reportable segment assets	3,616,942	13,998	69,045	3,613,289	(5,812,654)	1,500,620	4,141,423	11,676	57,875	3,643,679	(5,654,185)	2,200,468
Reportable segment liabilities	4,337,211	14,036	41,276	2,329,287	(5,775,791)	946,019	4,316,814	12,125	34,686	2,274,382	(5,617,265)	1,020,742

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (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 September 2013 (Unaudited)						For the three month period ended 30 September 2012 (Unaudited)					
Operating revenue	32,915	764	6,778	-	-	40,457	40,584	572	4,905	-	-	46,061
Finance income	(5)	-	-	438	-	433	3	-	-	518	-	521
Other income	6	186	14	279		485	1	142	18	218		379
Operating costs	(31,826)	(548)	(4,393)	-	20	(36,747)	(29,795)	(404)	(2,632)	-	14	(32,817)
Finance costs	(12,824)	(1)	(10)	(5)	-	(12,840)	(15,411)	-	(8)	(65)	-	(15,484)
General and administrative expenses	(2,085)	(227)	(889)	(2,898)	-	(6,099)	(1,806)	(213)	(901)	(3,306)	-	(6,226)
Impairment of goodwill	(292,804)	-	-	-	-	(292,804)						
Net realisable value adjustment on vessels classified as held for sale	(308,553)	-	-	-	-	(308,553)	-	-	-	-	-	-
Share of profit in jointly controlled entities	-	-	-	1,333	-	1,333	-	-	-	(8,753)	-	(8,753)
Reportable segment (loss) / profit	(615,176)	174	1,500	(853)	20	(614,335)	(6,424)	97	1,382	(11,388)	14	(16,319)

5 Vessels, property and equipment

Vessels with a book value of AED 693,415 thousand (31 December 2012: AED 1,349,439 thousand) and vessels classified as held for sale (Note 10) with a book value of AED 312,418 thousand (31 December 2012: AED Nil) as at 30 September 2013 are mortgaged as security for borrowings (Note 8).

On 13 September 2013 and subsequent to the period end, the Group's two vessels, classified as held for sale (Note 10), were arrested at the Port of Rotterdam and at the Port of Bahamas respectively. Notwithstanding such arrest, management is continuing discussions with lenders to proceed for a consensual sale of both vessels and restructure the payment of the shortfall of loans relating to these vessels. Management is confident that mutually acceptable arrangements will be reached with its lenders. In the event of a consensual sale, management estimates a recoverable amount of AED 312,418 thousand (net of selling costs) for both vessels, accordingly the vessels have been written down to their estimated net realisable value and a provision for impairment of assets amounting to AED 308,553 thousand has been recognised in the condensed consolidated interim income statement. The Board of Directors has resolved to convene an EGM to seek approval for the sale of these two vessels and its capital raising plan.

During the period, a building with a net book amount of AED 7,078 thousand (2012: Nil) was sold for a consideration of AED 7,320 thousand to a related party (Note 9) 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 30 September 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.

6 Goodwill

Management reviews the performance of the Group based on the 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 management at the operating segment level. Goodwill has been allocated to the Vessel owning and charter segment.

6 Goodwill (continued)

The recoverable amount of the Vessel owning and chartering CGU 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 an 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.

Growth rate	30 Sep 2013	31 Dec 2012
For the period beyond forecasted years	2%	0% to 2.5%

Discount rates
8.2% (2012: 7.5%) reflects management's benchmark for evaluating investment proposals.

Based on the above computation, an impairment charge of AED 292,804 thousand has been recognised in this condensed consolidated interim financial information. For a sensitivity analysis, please refer to Note 3.

7 Trade and other receivables

	30 Sep 2013 AED'000 (Unaudited)	31 Dec 2012 AED'000 (Audited)
Current		
Trade receivables	22,535	32,962
Less: provision for impairment of trade receivables	(16,642)	(17,855)
	5,893	15,107
Awards receivable	5,914	5,914
Advances to suppliers	911	1,191
Prepayments	2,732	1,931
Other receivables	22,278	20,801
	37,728	44,944

8 Borrowings

	30 Sep 2013 AED'000 (Unaudited)	31 Dec 2012 AED'000 (Audited)
Current		
Borrowings	850,369	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	(17,347)	(51,689)	(10,740)	(79,776)
Balance at 30 September 2013	190,194	480,204	179,971	850,369
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 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. A repayment of AED 17,347 thousand has been made during the nine month period ended 30 September 2013.

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire 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 51,689 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.

8 Borrowings (continued)

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire 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. A repayment of AED 10,740 thousand has been made during the nine month period ended 30 September 2013.

The above bank loans are secured by the following:

- assignment of vessels mortgage;
- assignment of refund guarantee;
- pledge of shares of subsidiaries owning these vessels; and
- irrevocable and unconditional guarantee from the Parent 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 September 2013, the Group is in breach of the terms of the loan agreements with its lenders. Further during the period the Group was unable to make payment of loan instalments of USD 938 thousand (AED 3,433 thousand) in respect of term loan II and III which was due in July 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 30 September 2013. The Group continues to be in discussion with the lenders to restructure the remaining borrowings relating to the vessels and is confident that mutually acceptable arrangement will be reached with the bankers (Note 2).

9 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 the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions.

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000
Management fees charged by a jointly controlled entity	3,590	2,959	1,196	993
Sale of a building to a director (Note 5)	7,320	-	-	-

9 Related party transactions and balances (continued)

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000
Office rental charged by a director	397	-	-	-

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

	30 Sep 2013 AED'000 (Unaudited)	31 Dec 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		
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	3,700	3,671
Gulf Stolt Ship Management Group JLT (Joint venture)	1,787	-
	5,487	3,671
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	6,153	3,473
Due to Directors for directors fees	1,416	202
	13,483	9,589

(i) The Group has provided a loan to Gulf Stolt Tankers DMCCO (GST) which 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, represents 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.

9 Related party transactions and balances (continued)

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000
Key management remuneration				
Salaries and benefits	1,591	1,471	434	436
End of service benefits	38	49	22	16
	1,629	1,520	456	452

10 Non-current assets held for sale

Following the arrest of two of the Group's vessels, one during the period (Note 5) and another subsequent to the period ended 30 September 2013 (Note 18), and based on discussion with lenders, management has taken 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 (net of selling expenses).

The assets of the disposal group classified as held for sale are as follows:

	30 Sep 13 (Unaudited) AED'000
Assets of a disposal group classified as held for sale	
Net recoverable value of the vessels	312,418
Inventory	3,602
Total assets of a disposal group classified held for sale	316,020

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000

11 Operating revenue

Vessel chartering	96,018	136,763	32,915	40,584
Ship agency	19,938	14,542	6,778	4,905
Commercial agency	1,991	1,704	764	572
	117,947	153,009	40,457	46,061

12 Voyage related direct costs

Vessel chartering:				
Commission on freight	-	377	-	134
Bunkering	365	8,052	365	107
Cargo related survey, hold cleaning charges etc	1,079	913	255	327
	1,444	9,342	620	568

13 Other operating costs

Vessel chartering:				
Ship running	43,393	44,114	14,896	13,121
Vessel depreciation	44,526	44,689	15,005	15,006
Amortisation of dry docking cost	1,825	1,008	733	490
Ship repair	2,540	2,865	438	599
Others	1,101	-	118	-
Ship agency:				
Operating cost	12,041	7,436	4,209	2,449
Vessel depreciation	533	535	180	180
Commercial agency	1,413	1,261	548	404
	107,372	101,908	36,127	32,249

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2013 (continued)

	Nine months ended		Three months ended	
	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000	30 Sep 13 (Unaudited) AED'000	30 Sep 12 (Unaudited) AED'000

14 General and administrative expenses

Staff costs (Note 15)	6,436	8,291	1,828	2,600
Professional fees	3,775	2,943	1,346	2,153
Impairment of trade receivables	1,577	537	1,577	537
Other administrative expenses	4,368	4,433	1,348	936
	16,156	16,204	6,099	6,226

15 Staff costs

Salaries and wages	4,828	6,260	1,347	1,942
Employees' end of service benefits	197	306	91	106
Other benefits	1,411	1,725	390	552
	6,436	8,291	1,828	2,600

16 Loss per share

Loss for the period (in thousands)	(644,033)	(28,685)	(614,335)	(16,319)
Weighted average number of shares	1,655,000,000	1,583,022,010	1,655,000,000	1,601,543,650
Basic and diluted loss per share	(AED 0.389)	(AED 0.018)	(AED 0.371)	(AED 0.010)

17 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 Sep 2013 AED'000 (Unaudited)	31 Dec 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	516,404	592,342
	1,024,046	1,099,984

18 Events after the balance sheet date

On 4 October 2013, one of the Group's vessels classified as held for sale, Gulf Eyadah, was arrested at the port of Bahamas. Notwithstanding such arrest, management is continuing its discussions with the bankers for the release of the vessel and to proceed for a consensual sale with one of various potential buyers. Management is confident that a mutually acceptable arrangement will be reached with its lenders. In the event of a consensual sale, management estimates a recoverable amount of AED 159,759 thousand (net of selling costs), accordingly the vessel has been written down to its net realisable value. The Board of Directors has resolved to convene an EGM to seek approval for the sale of the vessel.