

Gulf Navigation Holding PJSC

**Condensed consolidated interim financial information
for the nine month period ended 30 September 2015**

Gulf Navigation Holding PJSC

Condensed consolidated interim financial information for the nine month period ended 30 September 2015

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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 at 30 September 2015 and the related condensed consolidated interim income statement for the three month and nine month periods then ended, and condensed interim statements of changes in equity and cash flows for the nine month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Accounting Standard 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 September 2015, the Group had net current liabilities of AED 628,137 thousand and was in breach of specified covenants with its lenders. 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
1 November 2015

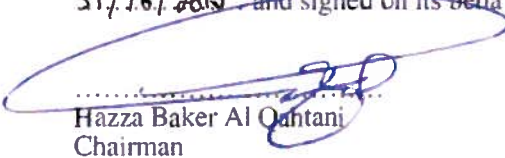
Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Gulf Navigation Holding PJSC

Condensed consolidated interim balance sheet as at 30 September 2015

	Notes	At 30 September 2015 (Unaudited) AED'000	At 31 December 2014 (Audited) AED'000
Assets			
Non-current assets			
Vessels, property and equipment	5	660,244	686,554
Goodwill	6	135,999	135,999
Investment in joint ventures		109,407	106,554
Due from a related party	10	31,314	31,314
		<u>936,964</u>	<u>960,421</u>
Current assets			
Inventories		7,670	7,583
Due from related parties	10	2,430	180
Trade and other receivables	7	33,147	28,833
Term deposit		127	127
Cash and bank balances		21,892	26,251
		<u>65,266</u>	<u>62,974</u>
Total assets		<u><u>1,002,230</u></u>	<u><u>1,023,395</u></u>
Equity and liabilities			
Equity attributable to equity holders of the Company			
Share capital		551,667	551,667
Legal reserve	2, 11	-	32,549
Accumulated losses		(244,766)	(292,991)
Total equity		<u>306,901</u>	<u>291,225</u>
Non-current liabilities			
Employees' end of service benefits		1,926	1,741
Current liabilities			
Borrowings	9	440,424	469,990
Trade and other payables	8	226,859	234,729
Due to related parties	10	15,140	14,730
Loan from related parties	10	10,980	10,980
		<u>693,403</u>	<u>730,429</u>
Total liabilities		<u>695,329</u>	<u>732,170</u>
Total equity and liabilities		<u><u>1,002,230</u></u>	<u><u>1,023,395</u></u>

The condensed consolidated interim financial information was approved by the Board of Directors on 31/10/2015 and signed on its behalf by:


Hazza Baker Al Qantani
Chairman

Gulf Navigation Holding PJSC

Condensed consolidated interim income statement

	Notes	<u>Nine months ended</u>		<u>Three months ended</u>	
		30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Operating revenue	12	104,703	94,306	34,523	32,996
Operating costs	13	(71,102)	(66,909)	(23,036)	(22,628)
Gross profit		<u>33,601</u>	<u>27,397</u>	<u>11,487</u>	<u>10,368</u>
Other income		1,359	1,746	479	542
General and administrative expenses	14	(17,945)	(17,149)	(5,939)	(6,288)
Operating profit for the period		<u>17,015</u>	<u>11,994</u>	<u>6,027</u>	<u>4,622</u>
Finance income		1,584	1,300	535	438
Finance costs	16	(5,776)	(8,090)	(1,881)	(1,729)
Finance costs - net		<u>(4,192)</u>	<u>(6,790)</u>	<u>(1,346)</u>	<u>(1,291)</u>
Share of profit in joint ventures - net		<u>2,853</u>	<u>1,826</u>	<u>953</u>	<u>2</u>
Profit for the period		<u>15,676</u>	<u>7,030</u>	<u>5,634</u>	<u>3,333</u>
Earnings per share					
- Basic and diluted (AED)	17	<u>0.028</u>	<u>0.013</u>	<u>0.0102</u>	<u>0.0060</u>

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Condensed consolidated interim statement of comprehensive income

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Profit for the period	15,676	7,030	5,634	3,333
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>15,676</u>	<u>7,030</u>	<u>5,634</u>	<u>3,333</u>

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of changes in equity

	Note	Share capital AED'000	Legal reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2014		1,655,000	31,546	(1,405,349)	281,197
Reduction of share capital		(1,103,333)	-	1,103,333	-
Comprehensive income					
Profit for the period		-	-	7,030	7,030
Total comprehensive income for the period		-	-	7,030	7,030
Balance at 30 September 2014 (unaudited)		551,667	31,546	(294,986)	288,227
Balance at 1 January 2015		551,667	32,549	(292,991)	291,225
Offset of legal reserve against accumulated losses	2	-	(32,549)	32,549	-
Comprehensive income					
Profit for the period		-	-	15,676	15,676
Total comprehensive income for the period		-	-	15,676	15,676
Balance at 30 September 2015 (unaudited)		551,667	-	(244,766)	306,901

The notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Gulf Navigation Holding PJSC

Condensed consolidated interim statement of cash flows

	<u>Nine months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Operating activities		
Profit for the period	15,676	7,030
Adjustments for:		
Depreciation	26,325	26,235
Share of profit in joint ventures	(2,853)	(1,826)
Reversal of provision for impairment of trade receivables	-	(1,283)
Profit on sale of property	-	(34)
Provision for employees' end of service benefits	261	368
Finance income	(1,584)	(1,300)
Finance costs	5,776	8,090
Operating cash flows before working capital changes and payment of employees' end of service benefits	43,601	37,280
Payment for employees' end of service benefits	(76)	(83)
Changes in working capital:		
Inventories	(87)	(926)
Trade and other receivables before movement in provision for impairment of trade receivables	(4,314)	(78)
Restricted cash	(2,742)	-
Due from related parties before interest receivable	(675)	(287)
Trade and other payables	(7,870)	(12,009)
Due to related parties	410	2,410
Net cash generated from operating activities	28,247	26,307
Investing activities		
Proceeds from sale of non-current asset held for sale	-	368,200
Purchase of vessels and equipment	(15)	(4,277)
Proceeds from disposal of property	-	34
Interest received	9	11
Net cash (used in)/generated from investing activities	(6)	363,968
Financing activities		
Repayment of borrowings	(29,566)	(396,205)
Interest paid	(5,776)	(8,090)
Net cash used in financing activities	(35,342)	(404,295)
Net decrease in cash and cash equivalents	(7,101)	(14,020)
Cash and cash equivalents at beginning of the period	12,909	21,931
Cash and cash equivalents at end of the period	5,808	7,911
Cash and cash equivalents comprise:		
Cash and bank balances	21,892	19,042
Less: Restricted cash	(16,084)	(11,131)
	5,808	7,911

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015

1 Reporting entity

Gulf Navigation Holding PJSC (“GNH” or “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
Gulf Navigation Maritime LLC (formerly 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 Ahmadi Shipping Inc	Marshall Islands
Gulf Shagra Shipping Inc	Marshall Islands
Gulf Navigation Holding PJSC (Branch)	Kingdom of Saudi Arabia

The Group also has interests in the following joint ventures:

<i>Joint ventures</i>	<i>Country of incorporation</i>	<i>Percentage of shareholding</i>
Gulf Stolt Ship Management JLT (“GSSM”)	United Arab Emirates	50%
Gulf Stolt Tankers DMCCO (“GST”)	United Arab Emirates	50%

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

2 Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated interim financial information for the nine month period ended 30 September 2015 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 2014, 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.

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 defence and/or negotiations. At 30 September 2015, the Group remain in breach of specified covenants with its lenders. These breaches have rendered the loans to be technically payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities as at 30 September 2015, which resulted in a net current liability position of AED 628,137 thousand as of that date. Notwithstanding, the related borrowings are currently fully serviced, with no default on principal or interest payments.

In accordance with the UAE Federal Law No 8. of 1984 (as amended), an extraordinary general meeting ("EGM") of the shareholders was convened on 30 April 2015 and a resolution was obtained from the shareholders to reduce the accumulated losses to the extent of the legal reserve as at 31 December 2014 of AED 32,549 thousand as a result of which accumulated losses have fallen below one-half (1/2) of the share capital. The shareholders also approved:

- Conversion of specified liabilities into shares in the Company, if applicable laws in UAE allow;
- Conversion of Mandatory Convertible Bonds ("bonds" or "MCBs") into shares at a price less than their nominal value in case the market price at the time of conversion is less than the nominal value, if applicable laws in the UAE allow. Such proposal, if adopted, shall cover the bonds that were approved at the Company's EGM on 5 January 2014 and which the Board has not yet issued up to the date of this EGM. Furthermore, authorisation was granted to the Board of Directors to obtain all required approvals from competent authorities to implement such proposal; and
- Authorisation for the Board of Directors to negotiate and enter into settlement agreements to settle with various creditors.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

2 Basis of preparation and accounting policies (continued)

Going concern (continued)

Based on the foregoing paragraphs, 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 lenders and other creditors are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. In relation to this, one agreement has already been reached with one of the creditors whereby the Group agreed to issue MCBs with a value AED 37,342 thousand in settlement of claims made by such creditor. The MCBs are unsecured and will be settled through conversion of the bonds into GNH shares under specified terms subject to the regulators' approval. Management is also considering various options for raising additional finance to fund the Group's working capital and future investment requirements. The Directors, after reviewing the Group's improving profitability, cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of 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.

Changes in accounting policy and disclosures

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 2015 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 2015 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 2015 or later periods but have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective 1 January 2018); and
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2017)

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.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

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 nine month period ended 30 September 2015 comprises results of the Company and its subsidiaries (together referred to as "the Group"). The condensed interim financial information of the subsidiaries is 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 2014.

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 at and for the year ended 31 December 2014.

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 2014.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

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, marine product sales and distribution and shipping services as the main types of business. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

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

If the budgeted gross margin used in the value-in-use calculation for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 30 September 2015, no impairment charge would have been recognised.

If the estimated cost of capital used in determining the pre tax discount rate for the vessel chartering CGU had been 0.5% higher/lower than management's estimates, no impairment charge would have been recognised.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

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;
- *Marine products sales and distribution*: Trading of goods such as supplies, chemicals and gases required for ships;
- *Shipping services*: Providing agency services to ships calling at ports; and
- *Other*: Includes management of all divisions and administrative activities.

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

Geographical segments

The Group's Executive Committee does not consider the geographical distribution of the Group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

All operating segments' results are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

4 Operating segments (continued)

Information about reportable segments, all figures in AED '000

	Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment	Total		Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment elimination	Total
	For the nine month period ended 30 September 2015 (Unaudited)							For the nine month period ended 30 September 2014 (Unaudited)					
Operating revenue	83,284	2,775	18,644	-	-	104,703		80,650	2,706	10,950	-	-	94,306
Finance income	-	-	-	1,584	-	1,584		-	-	-	1,300	-	1,300
Other income	-	667	33	659	-	1,359		55	722	97	872	-	1,746
Operating costs	(54,822)	(1,845)	(14,493)	-	58	(71,102)		(57,067)	(1,996)	(7,904)	-	58	(66,909)
Finance costs	(4,373)	(2)	(25)	(1,376)	-	(5,776)		(7,476)	(1)	(26)	(587)	-	(8,090)
General and administrative expenses	(1,641)	(727)	(1,784)	(13,793)	-	(17,945)		(1,561)	(691)	(1,495)	(13,402)	-	(17,149)
Share of profit/(loss) in joint ventures	-	-	-	2,853	-	2,853		-	-	-	1,826	-	1,826
Reportable segment profit/ (loss)	22,448	868	2,375	(10,073)	58	15,676		14,601	740	1,622	(9,991)	58	7,030
	Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment	Total		Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment elimination	Total
	At 30 September 2015 (Unaudited)							At 31 December 2014 (Audited)					
Reportable segment assets	3,596,375	22,943	101,542	3,330,246	(6,048,876)	1,002,230		3,609,870	19,229	84,471	3,297,617	(5,987,792)	1,023,395
Reportable segment liabilities	3,988,487	21,109	61,042	2,636,870	(6,012,179)	695,329		4,015,303	18,262	55,477	2,594,165	(5,951,037)	732,170

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

4 Operating segments (continued)

Information about reportable segments, all figures in AED '000

	Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment	Total		Vessel owning and chartering	Marine products sales and distribution	Shipping services	Other elimination	Inter segment	Total
	For the three month period ended 30 September 2015 (Unaudited)							For the three month period ended 30 September 2014 (Unaudited)					
Operating revenue	27,581	856	6,086	-	-	34,523		28,230	919	3,847	-	-	32,996
Finance income	-	-	-	535	-	535		-	-	-	438	-	438
Other income	-	246	15	218	-	479		19	275	28	220	-	542
Operating costs	(18,029)	(657)	(4,370)	-	20	(23,036)		(18,981)	(647)	(3,020)	-	20	(22,628)
Finance costs	(1,448)	(1)	(8)	(424)	-	(1,881)		(1,503)	-	(8)	(218)	-	(1,729)
Administrative expenses	(649)	(241)	(628)	(4,421)	-	(5,939)		473	(239)	(474)	(6,048)	-	(6,288)
Share of loss in joint ventures	-	-	-	953	-	953		-	-	-	2	-	2
Reportable segment (loss) / profit	7,455	203	1,095	(3,139)	20	5,634		8,238	308	373	(5,606)	20	3,333

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

5 Vessels, property and equipment

Vessels with a book value of AED 654,097 thousand (2014: AED 679,703 thousand) are mortgaged as security for borrowings (Note 9).

The Group's management had previously contracted with a shipyard ("the Contractor") for the construction of two new vessels. The carrying amount of advances recorded as part of capital work-in-progress as of 31 December 2013 was AED 106,506 thousand. Discussions were continuing with the Contractor in relation to new contractual terms. However, alongside these discussions, the Contractor issued Notices of Termination for these two contracts and filed a claim to retain the first instalment and/or damages for any loss suffered. The Group responded with its own legal action, the matter then went into arbitration. Based on the award made by the arbitrator in March 2014, the Group made a provision for impairment of the entire amount of the capital work-in-progress amounting to AED 108,045 thousand which includes the aforesaid advance of AED 106,506 thousand, as part of the results for the year ended 31 December 2013. The Group is engaged in negotiations with the Contractor to agree on a settlement of these balances.

6 Goodwill

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

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

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

Gross margin

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

	2015	2014
Growth rate	2%	2%
	=====	=====

Discount rates

8.14% (2014: 8.1%) reflects management's benchmark for evaluating investment proposals.

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Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

7 Trade and other receivables

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Current		
Trade accounts receivable	29,660	25,760
Less: provision for impairment of trade receivables	(16,073)	(16,088)
	<u>13,587</u>	<u>9,672</u>
Awards receivable (Note 10)	5,914	5,914
Advances to suppliers	1,460	2,638
Prepayments	2,742	2,507
Other receivables	9,444	8,102
	<u>33,147</u>	<u>28,833</u>

8 Trade and other payables

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Trade payables	12,611	16,053
Dividend payable	10,896	11,073
Advance from customers	1,292	10,354
Other accruals and payables	202,060	197,249
	<u>226,859</u>	<u>234,729</u>

9 Borrowings

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Current		
Borrowings	<u>440,424</u>	<u>469,990</u>

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

9 Borrowings (continued)

The movement of bank borrowings are summarised as below

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2015	6,518	433,519	29,953	469,990
Less: repaid during the period	-	(29,566)	-	(29,566)
Balance at 30 September 2015	6,518	403,953	29,953	440,424
Average nominal interest rate	2.10%	0.98%	2.14%	1.07%
Balance at 1 January 2014	190,792	470,860	181,569	843,221
Transfer from trade and other payables	7,477	-	21,858	29,335
Charges and interest during the year	1,149	-	1,826	2,975
Sales proceeds applied	(192,900)	-	(175,300)	(368,200)
Repaid during the year	-	(37,341)	-	(37,341)
Balance at 31 December 2014	6,518	433,519	29,953	469,990
Average nominal interest rate	1.29%	0.95%	2.25%	1.21%

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire a vessel costing AED 402,600 thousand. This loan carried interest at LIBOR plus 0.7% per annum and was payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. After the sale of its vessel in February 2014, the default rate has been applied which is 2.0% per annum. The balance as of 30 September 2015 represents the shortfall after applying the proceeds from the sale of the related vessel.

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire the chemical tankers costing AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand by 31 March 2019. A repayment of AED 29,566 thousand was made during the period.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire a vessel costing AED 337,295 thousand. This loan carried interest at LIBOR plus 2.8% per annum and was payable in 23 quarterly instalments commencing from 26 April 2011. After the sale of its vessel in February 2014, the default rate has been applied which is 2.0% per annum. The balance as of 30 September 2015 represents the shortfall after applying the proceeds from the sale of the related vessel.

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

9 Borrowings (continued)

The above bank loans are secured by the following:

- assignment of related vessels mortgage;
- pledge of shares of subsidiaries owning these vessels; and
- corporate guarantee by the holding Company.

The significant covenants for the above loans are as follows:

- the current assets at all times exceed the current liabilities;
- maintain at all times a cash and cash equivalents balance of over a certain percentage of the net debt;
- ensure that the consolidated market adjusted equity is over a certain percentage of the consolidated total market adjusted assets; and
- ensure that the aggregate free market value of the vessels is over a certain percentage of the net debt

At 30 September 2015, the Group continued to remain in breach of specified covenants with its lenders. The breaches have rendered the loans to be technically payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 30 September 2015. The Group's management are in discussions with these lenders to resolve the issue of repayment of the shortfall in respect of Term Loans I and III above (Note 2) and is negotiating with the lenders to regularise the agreement in relation to Term Loan II.

10 Related party transactions and balances

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

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Finance income - due from related parties	1,574	1,289	531	434
	=====	=====	=====	=====
Finance costs - loans from related parties	1,308	568	408	212
	=====	=====	=====	=====
Management fee charged by the joint venture	2,438	3,022	813	813
	=====	=====	=====	=====
Office rental charged by other related parties	595	595	198	198
	=====	=====	=====	=====

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

10 Related party transactions and balances (continued)

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

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	31,314	31,314
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	1,754	180
Gulf Stolt Ship Management Group JLT (Joint Venture)	676	-
	2,430	180
Due to related parties		
Current		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	6,916	5,799
Directors (re: directors' fees)	2,310	3,017
	15,140	14,730
Loan from related parties (iii)	10,980	10,980

- (i) The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO (GST). This loan carries interest of 6.6% per annum compounded on annual basis until the date of payment.
- (ii) Amounts due to shareholders of Gulf Navigation LLC represents amounts payable to the shareholders of Gulf Navigation Holding LLC with respect to an amount of AED 5,914 thousand retained to cover the amounts 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.
- (iii) The Group has drawn down loans from the shareholders. The loans are repayable based on specified terms with due dates which have already lapsed. Accordingly, the loans are presented as part of current liabilities in the condensed consolidated interim balance sheet. They are on the following terms:

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

10 Related party transactions and balances (continued)

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
Balance at 1 January 2015	3,660	3,660	3,660	10,980
Balance at 30 September 2015	3,660	3,660	3,660	10,980
Average nominal interest rate	15.08%	17.24%	15.47%	15.93%
Balance at 1 January 2014	3,660	3,660	3,660	10,980
Balance at 31 December 2014	3,660	3,660	3,660	10,980
Average nominal interest rate	11.61%	10.11%	11.34%	11.02%

Key management remuneration

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Salaries, benefits and director' fees	562	1,300	74	400

11 Legal reserve

There has been no transfer of profit to the legal reserve in the current period.

12 Operating revenue

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Vessel chartering	75,271	72,154	24,852	25,393
Shipping services	26,657	19,446	8,815	6,684
Marine products sales and distribution	2,775	2,706	856	919
	104,703	94,306	34,523	32,996

Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

13 Operating costs

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Vessel chartering:				
Ship running	25,323	27,090	8,067	8,802
Vessel depreciation	23,427	23,429	7,891	7,862
Amortisation of dry docking cost	2,180	2,021	727	727
Ship repair	429	493	183	169
Shipping services:				
Operating cost	17,343	11,325	5,324	4,234
Vessel depreciation	555	555	187	187
Marine products sales and distribution	1,845	1,996	657	647
	<u>71,102</u>	<u>66,909</u>	<u>23,036</u>	<u>22,628</u>

14 General and administrative expenses

Staff costs (Note 15)	7,125	6,693	2,364	2,146
Professional fees	1,881	3,152	462	1,388
Reversal of impairment of trade receivables	-	(1,283)	-	(1,027)
Other administrative expenses	8,939	8,587	3,113	3,781
	<u>17,945</u>	<u>17,149</u>	<u>5,939</u>	<u>6,288</u>

15 Staff costs

Salaries and wages	4,892	4,881	1,534	1,601
Employees' end of service benefits	261	368	149	64
Other benefits	1,972	1,444	681	481
	<u>7,125</u>	<u>6,693</u>	<u>2,364</u>	<u>2,146</u>

16 Finance costs

Interest on bank borrowings	<u>5,776</u>	<u>8,090</u>	<u>1,881</u>	<u>1,729</u>
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Gulf Navigation Holding PJSC

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2015 (continued)

17 Earnings per share

	<u>Nine months ended</u>		<u>Three months ended</u>	
	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000	30 September 2015 (Unaudited) AED'000	30 September 2014 (Unaudited) AED'000
Profit for the period	15,676	7,030	5,634	3,333
Number of shares	551,666,666	551,666,666	551,666,666	551,666,666
Basic and diluted earnings per share	AED 0.028	AED 0.013	AED 0.0102	AED 0.0060

18 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:

	30 September 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Not later than one year	98,857	98,857
Between one year and five years	392,870	393,873
Beyond five years	300,711	373,918
	<u>792,438</u>	<u>866,648</u>