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Gulf Navigation Holding PJSC

2015 ANNUAL REPORT

CONTENTS

COMPANY OVERVIEW

- Gulf Navigation Holding PJSC (GNH) and its group of companies own and operate chemical tankers. It is the only maritime and shipping company listed on the Dubai Financial Market
- The Company was listed in February 2007 and trades under the symbol 'GULFNAV'.
- The GNH fleet comprises of 8 chemical tankers as well as 4 crew boats which are used in its Shipping Services business.
- Sole sales agent and distributor for various marine products.
- The Company is committed to meeting the requirements of the international management code for the safe operations of vessels, pollution prevention and environmental control including compliance with all the applicable international laws, regulations and requirements.
- An ISO 9001: 2008 certified Company accredited through Bureau Veritas and Ship Management is accredited by Det Norske Veritas (DNV) for both International Safety Management (ISM) and International Ship Security Certification (ISPS Code)

FLEET'S OVERVIEW

NAME	TYPE	OWNERSHIP	DWT
GULF DEFFI	IMO Type II Chemical Tanker	Owned	45,951 MT
GULF FANATIR	IMO Type II Chemical Tanker	Owned	45,920 MT
GULF HUWAYLAT	IMO Type II Chemical Tanker	Owned	45,967 MT
GULF JALMUDA	IMO Type II Chemical Tanker	Owned	45,907 MT
STOLT SISTO	IMO Type II Chemical Tanker	Owned (JV)	46,011 MT
STOLT FACTO	IMO Type II Chemical Tanker	Owned (JV)	46,101 MT
STOLT GULF MIRDIF	IMO Type II Chemical Tanker	Owned (JV)	46,105 MT
STOLT GULF MISHREF	IMO Type II Chemical Tanker	Owned (JV)	46,089 MT
GULF DEBA	Crew Boat	Owned	
GULF DEIRA	Crew Boat	Owned	
GULF NAV1	Crew Boat	Owned	
GULF NAV2	Crew Boat	Owned	

KEY FACTS AND FIGURES

- A fully integrated ship owning company, started operations in Dubai since 2003 along with in-house ship management.
- Own and operate chemical tankers.
- First and only public listed maritime and shipping company in the UAE since Feb 2007.
- IPO Date: 24 July 2006. Listed on DFM in Feb 2007
- Share Capital of USD 151 Million (AED 552 Million)
- Ownership(Approx): 63.50% UAE nationals, 23.20% GCC nationals (non-UAE), 7.70% Arab and 5.60% foreigners as of 31-Dec-2015. Nationals include individuals and institutions.
- Shipping Services network across all UAE ports
- Headquartered in Dubai, United Arab Emirates, with an overseas office in the Kingdom of Saudi Arabia.

Vision & Mission

The Gulf Navigation vision is to create shareholder value as a listed, fully integrated ship owning company which transports crude oil and chemical products responsibly and safely in a sustainable manner, and to be among the industry leaders in these sectors.

Our mission is to achieve this vision by:

- Employing, training and retaining highly qualified and motivated staff.
- Operating a modern fleet of quality tonnage that is in compliance with international regulations.
- Creating and preserving long-term relationships with customers and suppliers.
- Maintaining the ability to react to and act on changes within the tanker industry via long-term, well-established relationships with all of our customers.
- Supporting a clean environment by active involvement of our employees.

VICE CHAIRMAN

N'S STATEMENT

Bism Allah Al Rahman Al Rahim

Dear Shareholders and all Stakeholders of Gulf Navigation Holding PJSC,

It gives me great pleasure to highlight that in 2015, we have achieved satisfactory performance despite of some challenges, with our net profit reaching AED 20.172 million (USD 5.51 million) which is double as compared to the previous year net profit. Through the dedication and commitment of the Board of Directors and management we were highly successful in achieving the milestones and strategic/ financial targets we had set for the year 2015 which clearly reflects in our continued growth and sustainability.

During the year we continued our emphasis on increased customer satisfaction and maximize the shareholder returns as it has always been an integral part of our strategy. Extensive efforts and energies were deployed by the Board of Directors and management during the year to settle the legal claims, reduce operating costs and improve our working capital/cash flows thus collectively resulted in increased profits and sustainable growth of the Company.

We remain committed and focused on improving the Company performance, customer satisfaction, profitability, growth and achieving its strategic, operational and financial targets devised for the upcoming years, by exploiting its core strength and building strong pillars to significantly enhance our shareholder value.

This year completes the existing board's three years tenure. I am extremely grateful to all the board members who were part of our journey, our shareholders, employees and all stakeholders of Gulf Navigation Holding PJSC for their endless support, efforts and diligence extended during the past three years. I am confident that the new board with the continued support from our valued shareholders, employees and all stakeholders will lead the Company to greater successes ahead.

Salem Ali Al Zaabi
Vice Chairman - Gulf Navigation Holding PJSC

CEO'S

Dear Shareholders,

2015 represented a landmark year for Gulf Navigation Holding PJSC (GNH) witnessed by a successful implementation of our robust strategy and laying a strong foundation for the upcoming years focused on our set vision and mission.

The significant decisions we took in 2015 have reaped remarkable results for the business. Our strategy to focus on cost management has been fruitful as we reduced our cost base, streamlined our operations and improved our profitability to bring a turnaround performance as compared to the preceding year. 2015 was a transformative year for Gulf Navigation achieving outstanding financial results. As a Group, net profit reached AED 20.17 M (USD 5.51 M) for 2015 resulting in a remarkable two-fold increase as compared to 2014 profit of AED 10.03 M (USD 2.74 M). Total revenues also increased considerably by 12%, with earnings reaching AED 143.18M (USD 39.12M) in 2015. It is worth to highlight that the company is delivering positive cash flows from operations and improvements through the year have been well on track in terms of our defined targets and expectations. Various key factors which contributed towards the higher profitability are increase in volume of our Shipping Services & Marine Product Sales and Distribution business, improvement in Chemical Tanker spot freight rates, reduced finance costs and significant reduction in vessel off-hires.

We have also witnessed how the fall in oil prices have created opportunities for operators of Chemical Tankers. With our young fleet of eight Chemical Tankers (four of which are held in our joint venture with our partner Stolt-Nielsen and employed in Stolt Joint Tanker Services Pool), we have the right mix of deployment profiles for these vessels. Spot rates for Chemical Tankers have increased considerably from 2014 levels. This has allowed Gulf Stolt Tankers (GST), our joint venture with Stolt-Nielsen, to remain profitable despite off-hiring all four vessels for dry docking during this year. GNH's wholly-owned four Chemical Tankers remain largely unaffected as they continue to earn revenue at fixed rates under a long-term charter contract with SABIC which runs until 2023.

During 2016, we will continue to reform our business model in order to better meet the expectations of our shareholders while focused to grow in a responsible manner. We are determined to finalize settlement agreements with specified claimants which will further strengthen our financial footing and spearhead the Group towards the path of expansion and growth. Once these issues are successfully settled/ eliminated, we will be more confident in approaching the potential investors and attract new capital to support our expansion and growth plans. GNH will continue to focus on growing its Chemical Tanker fleet. In addition we wish to expand our wholly-owned subsidiary Gulf Navigation Maritime LLC by widening its Shipping Services network and commencing Technical Services under its umbrella.

We remain strongly committed to maintain utmost customer satisfaction, ethical business practices, respect for the individuals and running our business in a fashion that will endure the trust of all stakeholders and strive to maintain high standards of Quality, Health, Safety and Environment.

With the strong leadership and guidance of our Board of Directors, along with the professionalism and dedication of our Management Team and Employees of our Group, I am extremely confident that we are well set for exploiting the future business opportunities and committed to deliver sustainable growth, reduced risks and increased returns for our shareholders. Let me assure you that the best days lie ahead of us and we are determined to deliver the best for you!

On that note, I would like to conclude with sincere appreciation and thanks to all the shareholders and stakeholders for their continued support, valued confidence and trust in Gulf Navigation Holding PJSC.

Thank you,

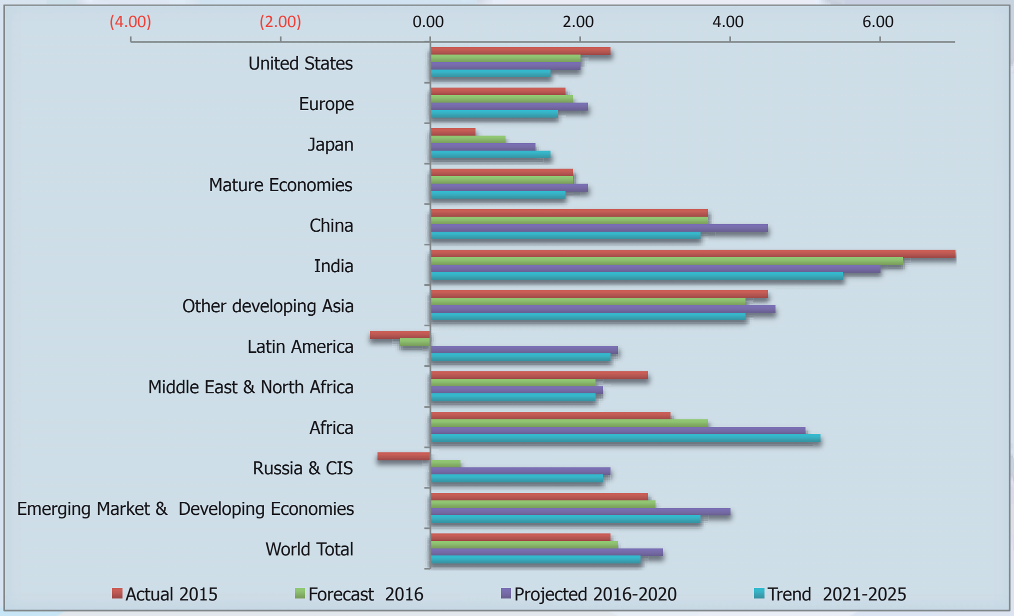
Parag Jain

Parag Jain - Chief Executive Officer

STATEMENT

INDUSTRY

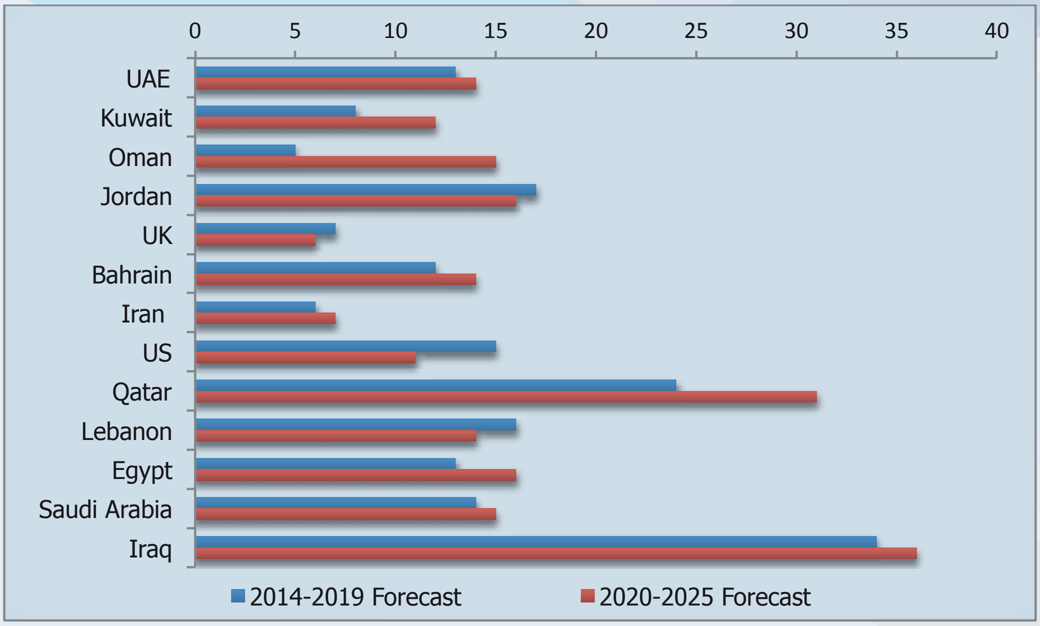
Global - Forecast of GDP Per Capita: 2016-2025



- Global growth currently estimated at 3.1 percent in 2015, is projected at 3.4 percent in 2016 and 3.6 percent in 2017.
- The picture for emerging market and developing economies is diverse but in many cases challenging. The slowdown and rebalancing of the Chinese economy, lower commodity prices and strains in some large emerging market economies will continue to weigh on growth prospects in 2016–17.

Data Source: World Bank

Middle East – Forecast of GDP Per Capita: 2016-2025

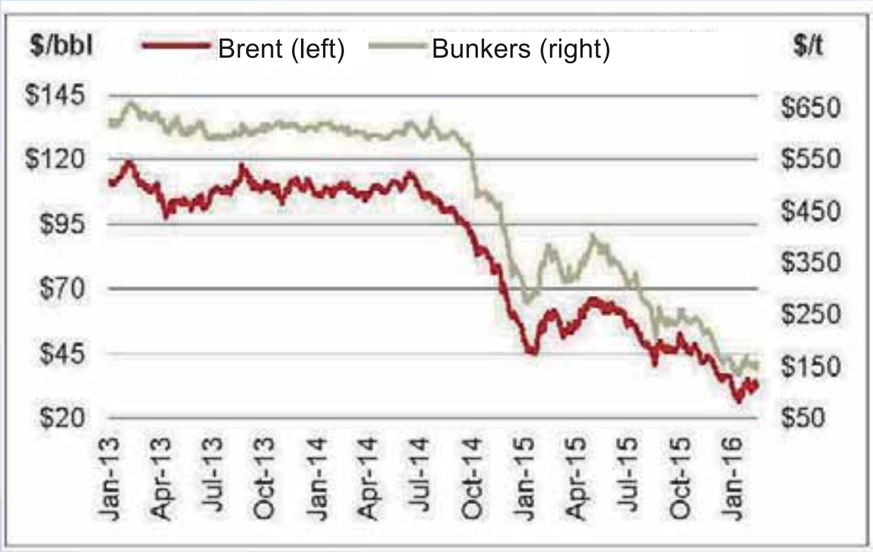


- Growth in emerging market and developing economies is projected to increase from 4 percent in 2015 (the lowest since the 2008–09 financial crisis) to 4.3 and 4.7 percent in 2016 and 2017 respectively.
- Higher growth is projected for the Middle East, but lower oil prices and in some cases geopolitical tensions and domestic strife, continue to weigh on the outlook.

Data Source: World Bank

OVERVIEW

Bunker/ Brent Cost Analysis



Data Source: Howe Robinson

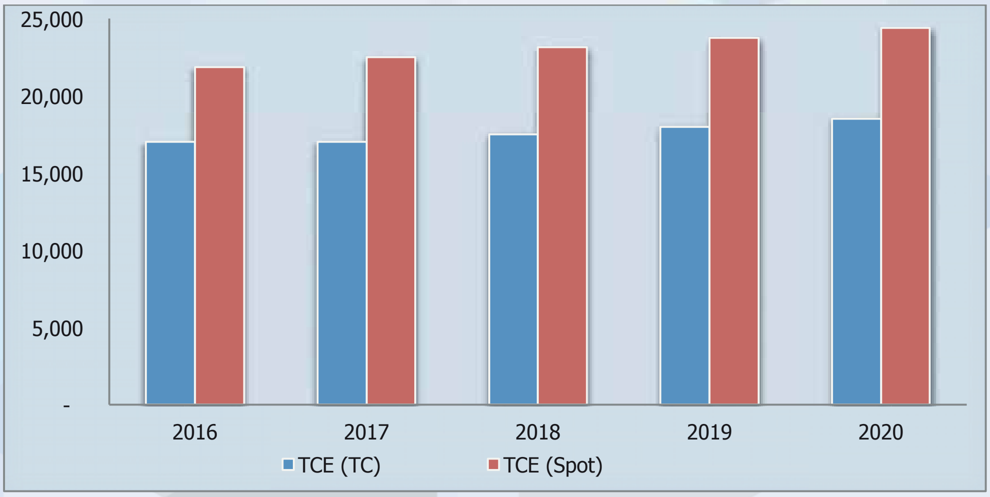
Upcoming refineries in Middle East:

- Saudi Arabia: A joint venture (JV) between Saudi Arabian Oil Company (Saudi Aramco) and Dow Chemical Company is expected to start production in 2016 at their $20 billion Sadara chemicals venture in Jubail, Saudi Arabia. Also in the early stages of planning two new integrated refinery and petrochemical projects.
- UAE: The Oil Refining capacity is on the rise with proposed projects in Abu Dhabi and Fujairah.
- Oman: IPIC has entered into a joint venture with the Oman Oil Company (OOC) to build refinery in Duqm, due to be completed in 2017.
- Kuwait: Preparatory work on a new clean-fuels refinery at Al-Zour.
- Qatar: A condensates refinery at Ras Laffan is being expanded in a joint venture.

Chemicals (such as MEOH, DEG, MEG, TEG, MTBE EDC, Benzene, Xylenes, Phenol and Octanol) are products on demand stemming from Far East specifically mainland China. The demand is expected to remain steady and no downward trend is forecast in 2016.

Data Source: Fair Play

Chemical Tanker TC & Spot Forecast: 2016- 2020



Data Source: Maersk Brokers

THE BOARD O

Mr. Hazza Baker Al Qahtani (Resigned on 14th January 2016)

Chairman of Gulf Navigation Holding PJSC

Mr. Hazza Baker Al Qahtani is one of the original founders of Gulf Navigation Holding PJSC. His qualifications include an MBA from the University of Alabama in the US. Mr Al-Qahtani is a renowned, respected and successful Saudi marine entrepreneur with over 25 years of national, regional and international business management experience in the Shipping sector.

Mr. Hazza Baker Al Qahtani is currently the Chairman & Managing Director of Amad Investments Holding, the Chairman of Byoun International Group and a Board Member of the International Chamber of Commerce - all positions held within Saudi Arabia. Mr. Hazza Baker Al Qahtani is one of the founding members of Gulf Navigation Holding PJSC.

Mr. Salem Ali Al Zaabi

Vice-Chairman of Gulf Navigation Holding PJSC
Chairman of Gulf Navigation Maritme LLC
Chairman of Steering Committee

Mr. Salem Ali Zaabi is the Director General of Federal Transport Authority, Land and Maritime of United Arab Emirates. He has an overall responsibility to propose the general policies, laws and regulations to ensure the efficiency and safety of maritime and land transportation and the adoption of constructive ideas and harness the financial and human resources to develop the system of land and maritime transport and railway in the UAE. He began his career in 1991 as Abu Dhabi Branch Manager of United Arab Shipping Company and in 1995 he was promoted to Asst. Vice President of the company. He served as the Chairman of United Arab Shipping Company and Chairman of Executive Committee and Steering Committee of the company for the last three years, which is the official shipping line owned by the Gulf Countries.

In 2004 he held position of Assistant Under-Secretary in Land & Marine Affairs Sector- Ministry of Transportation; and in 2009 he held the position of Executive Director of Land and Marine Affairs Sector, National Transportation Authority; and in 2012 he served as the General Manager of National Transportation Authority. Currently he is serving as Director General of Federal Transport Authority since 2014. During his career, he has served as:

Board Member of Emirates Transport.
Board Member of Supreme Standing Committee for Security of Ports and Airports of UAE.
Board member of National Standing Committee for Preparation of National report and Climate change of UAE.
Vice Chairman of Emirates Classification Society (Tasneef).
Board Member of National Committee of the World Trade Organization.

Mr. Salem Al Zaabi belongs to the young breed of accomplished UAE nationals who combine first-class education with a 'can do' approach to both business and educational life. He holds Master Degree in Administration and Master Degree in International Development in Government Sector from Kentucky State University, USA and has completed several specialized courses in Maritime Studies from many renowned Institutions such as Cambridge University and Harvard University. During his career Mr. Salem has received many awards and certificates of honor, among which the most important is Sheikh Rashid Award for Academic Excellence in 1991 as well as the Sheikh Mohamed bin Rashid Al Maktoom Award for Outstanding Competencies in Federal Government in 2013. He has also received many honors from government and international Authorities and headed the state delegation in a lot of local and international forums.

OF DIRECTORS

Mr. Nasser Baker Al Kahtani (Resigned on 14th January 2016)

Chairman of Executive Committee

Mr. Nasser Al-Kahtani, a Saudi National, is the Executive Director of the Arab Gulf Program for Development - AGFUND. He holds a Master's degree from the University of Miami, and is considered to be one of the most distinguished Arab leaders in the field of international development.

Assuming a number of advisory positions and membership of several boards in both public and private sectors, Mr. Al-Kahtani has won the confidence and high esteem of various executive councils functioning in human development and became well known as one of the most influential development leaders in the Arab world.

Mr. Al-Kahtani is also the Head of AGFUND Team for establishment of the Banks for the Poor in the Arab World, besides his membership of the boards of many banks and financial institutions working in the field of microfinance in the Arab Region. He plays leading roles and has significant contributions in the development and upgrading of micro, small and medium finance institutions. Mr. Nasser Baker Al Kahtani is one of the founding members of Gulf Navigation Holding PJSC.

Mr. Abdulla Suleiman Alharthy (Resigned on 14th January 2016)

Chairman of Audit Committee

Mr. Abdulla Alharthy, an Omani National is the Honorary Consul of Oman to the Republic of Uruguay. He holds a number of Board and Chairman Positions in listed companies in Oman including National Gas, Oman National Engineering & Investment Co and Paramount ONEIC.

Mr. Nizar Abdul Razaq A. Al Qannas

Chairman of Nomination & Remuneration Committee

Mr. Nizar Al Qannas, a Saudi National has a BA in Economics & Political Science. Since 1983 Mr Al Qannas has enjoyed a distinguished career within Banque Saudi Fransi. During this period Mr Al-Qannas held a number of positions including Legal & Claims Manager and Retail Banking Department Manager, dealing with all branches within the Eastern region. Since 1998 Mr Al Qannas has held the position of Secretariat General as well as Board of Directors Secretary since 1988. He has also been Secretary to the Executive Committee of the Bank.

Mr. Al Qannas was a board member in Allianz SF for a period of 3 years and half. He was a board member in Saudi Fransi Finance Leasing and SAKAN and the both companies are a bank's subsidiaries.

Mr. Al Qannas was a board Secretary in all the companies that are established by the bank between 2002 until 2013 including Saudi Fransi Capital and So Finko and other.

Mr. Hakeem Al-Otaibi (Resigned on 14th January 2016)

Mr. Hakeem Al-Otaibi, is a Kuwaiti National. Mr Al-Otaibi is currently holds a Senior Management position within Arab Combined Shipping & Transport Co. which has become well established over a number of years offering professional experience in shipping & road transportation, and by handling RO-RO, B/Bulk & Chartered Vessels carrying regular commercial cargo and Government project cargo. The company has been nominated as exclusive handling Agent for many Companies in Kuwait.

Mr Al-Otaibi holds an Engineering Diploma from a Kuwaiti institution & had attended many courses related to Aviation Industry.

Mr. Mubarak Ahmed Bin Fahad

Armed with a post graduate MBA in Strategic Management from Birmingham (UK) and a Bachelor of Science degree in Finance, Insurance and Management from Northeastern University, Boston (USA), Mubarak bin Fahad belongs to the young breed of accomplished UAE nationals who combine first-class education with a 'can do' approach to both business and life.

Mubarak Bin Fahad held several key positions within the Government of Dubai's Department of Tourism and Commerce Marketing, including those of Director of Media & information, Director of Overseas Promotions and initially Manager of the Department's Information Centre.

Mr. Bin Fahad is an astute, insightful and respected venture capitalist. His primary area of focus is his strategic investment in a broad spectrum of companies across multiple sectors. He was also the Chief Executive Officer of AL KHALEEJ INVESTMENTS PTE / WISMA DEVELOPMENT PTE LTD, Singapore. He enhanced Dubai's position when he was Director General of the DWTC. In addition he joined the private office of HH Sheikh Sultan Bin Khalifa Al Nahyan as the CEO Investment & Development. Mr. Bin Fahad has been honored with several important awards during his esteemed career but the one he cherishes the most is the one that set him on his path to achievement - the prestigious HH Sheikh Rashid Award for Academic Excellence with which he was presented in 1994.

Mr. Magid Attalla Al-Shamrokh (Resigned on 14th January 2016)

Mr. Magid Al-Shamrokh, a Saudi National holds a PhD in Business Administration and a BSc in Economics and Management Accounting. Since 2005 Dr Magid has held the position of CEO at ARMS Trading and Investment Co, a Saudi privately owned company managing Saudi and Gulf investment stocks and accessing channels of direct importation from Dubai, China, Malaysia and India.

Capt. Faisal Al Qahtani (Resigned on 14th January 2016)

Capt. Faisal Al- Qahtani, a Saudi national, is the CEO Oceans Power Co.

Capt. Al-Qahtani holds a master degree in Marine Studies. His career started with National Shipping Company, Saudi Arabia and he left NSCSA in 2003 where he was the Corporate Operations & Logistics Manager and moved on to hold the position of the General Manager at Zamil Industrial Company and then with United Maritime Lines between 2003 - 2007. In 2007, he joined Dubai Port World as Senior Vice President & Managing Director for the Middle East Region until 2014.

Capt. Al-Qahtani has played a key role in formulating the long term short term strategic plans of DP World and has been instrumental in executing project developments as per the business plan. He also played a vital role in the acquisition of Sokhna Port in Egypt.

Capt. Faisal Al Qahtani is a Board member of DAPDC in Yemen, DP World Middle East for Investment LLC (Dubai, UAE), DP World Middle East LLC (Dubai, UAE), and DP World Sokhna (Egypt)

He also holds a number of specialized courses in the maritime field, as well as advanced courses in executive leadership.

Dr. Sandeep Kadwe (Resigned on 14th January 2016)

Dr. Sandeep Kadwe holds a PhD in Economics, MBA in Finance, Marketing and a degree in Mechanical Engineering. He has over 24 years of comprehensive experience in various industries including engineering, shipping, public sector undertakings, capital markets, finance, strategy consulting and IT. Dr. Sandeep has advised several clients, boards and investors across GCC and India for Greenfield & Start up projects, turnaround, sustainability, growth, efficiency improvement, corporate & capital restructuring and raising finance. Dr. Sandeep previously advised Gulf Navigation Co. LLC (before conversion to the PJSC) for the pre IPO and IPO stage. He is also the Director and Managing Consultant of MITCON International which offers specialized Consulting Services in Management, Investment and Technology to large diversified Corporate in the GCC and abroad.

Mr. Jassim Alseddiqi

Mr. Jassim Alseddiqi is the Managing Director and Chief Executive Officer of Abu Dhabi Financial Group.

Mr. Jassim is also the Chairman of Reem Finance PJSC (UAE Central Bank licensed Finance Company), and the Chairman of Integrated Capital PJSC (UAE Central Bank licensed Investment Company) and Integrated Securities LLC (SCA licensed broker).

He is also a Board Member at Tourism and Development Investment Company, Qannas Investments Limited and Abu Dhabi Capital Group.

Mr. Jassim has been listed in 2015 by Arabian Business as one of the 100 most influential Arabs under 40.

Preceding his tenure in the investment world, he was a noted lecturer at the Abu Dhabi-based Petroleum Institute.

Mr. Jassim holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin-Madison, and earned his Master's of Science degree in Electrical Engineering from Cornell University in the United States

He also has several publications in international engineering journals.

THE BOARD AND ITS COMMITTEES

1. Executive Committee

This committee focuses on the long-term strategy formulation, annual plans and monitoring the performance of executive management. The committee has five members; Mr. Nasser Al Kahtani is the Chairman of the Committee; Mr. Hakeem Al-Otaibi, Dr. Sandeep Kadwe, Mr. Abdulla Suleiman Alharthy and Capt. Faisal Al Qahtani are the other committee members.

2. Audit Committee

This committee assists the board in fulfilling their oversight responsibilities to ensure the integrity of the financial statements, external auditor's qualifications and independence; and the performance of Gulf Navigation's Internal Control Department.

The committee has four members who are all non executive Board directors: Mr. Abdulla Al Harthy is the Chairman of the Committee; Mr. Hakeem Al Otaibi, Mr. Magid Attalla Al -Shamrokh and Mr. Mubarak Bin Fahad are the other committee members.

3. Nomination and Remuneration Committee

This committee assists the board in fulfilling their oversight responsibilities for the independence of board members and the integrity of the remuneration strategy at Gulf Navigation Holding PJSC.

The committee has three members; they are independent and non-executive board directors; Mr. Nizar Abdul Razaq A. Al Qannas is the Chairman of the committee; Mr. Salem AL Zaabi and Mr. Magid Attalla Al-Shamrokh are the other committee members.

4. Steering Committee

The Steering Committee assists and report to the Chairman of Board of Directors in defining the short term and long term business plan which can then be presented to the Board for approval and the management implementation.

Mr. Salem Al Zaabi, Vice Chairman of GNH is the Chairman of Steering Committee ; Mr. Nasser Al Kahtani, Mr. Abdulla Al Harthy, Mr. Nizar Abdul Razaq A. Al Qannas and Mr. Mubarak Bin Fahad are the other committee members.

Internal Control Department (ICD)

Functionally, the ICD reports directly to the board of directors through the Audit Committee. Risk-Based Audit is the adopted methodology by the ICD to execute the audits, whilst the entire internal audit plans are reviewed, discussed and approved by the Audit Committee. In addition, the ICD supports the management to manage the risk and implement the corporate governance rules in a way that ensures compliance with laws, policies and procedures, and the other regulatory requirements of DFM and SCA.

Code of Conduct

Gulf Navigation Holding PJSC, characterised by its management and employees, has adopted a variety of codes of conduct that includes; dealing with business partners, ethics, conflict of interest, compliance, privacy, and confidential reporting policy.

Confidential Reporting Policy

The aim of this policy is to report and escalate any contraventions/wrong doings/malpractices and resolve them in respect of achieving GNH's interests and objectives.

Corporate Governance Report of Gulf Navigation Holding PJSC

The detailed Corporate Governance report for the year 2015 is available on the Gulf Navigation website (www.gulfnav.com), website of the Securities and Commodities Authority (www.sca.ae), and the Dubai Financial Market's website (www.dfm.ae).

CORPORATE GOVERNANCE AND COMMITTEES

Gulf Navigation Holding PJSC has fully adopted and implemented the relevant corporate governance rules as set out by Securities and Commodities Authority (SCA). Adopting and implementing the corporate governance framework is a key focus of the Board of Directors and the Executive Management and this ensures that the business strategy is followed within a clear, correct and highly credible framework. The adopted corporate governance framework clearly sets out the roles of the Board of Directors and its committees, as well as the relationship between the Board of Directors and executive management.

Executive Management implements business strategies and financial commitments based on annual plans that affect or control the performance of the Company, which are duly reviewed and approved by the Board.

FINANCIAL HIGHLIGHTS 2013-2015

	2015 AED'000	2014 AED'000	2013 AED'000
Revenues	143,183	127,700	136,671
Profit/(loss) for the year	20,172	10,028	(927,677)
Operating cash flows*	58,641	49,519	(141,768)
Net cash generated from operations	50,729	41,914	75,988
Capital expenditure	(25)	(4,282)	(10,306)
Basic & diluted EPS	0.037 AED	0.018 AED	(1.682) AED

*Operating cash flows before payment of employees' end of service benefits and changes in working capital

Directors' Report & Consolidated Financial Statements

for the year ended 31 December 2015

Directors' report

for the year ended 31 December 2015

The Directors submit their report and consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2015. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held on 7 March 2016.

Principal activities

The Group is primarily engaged in marine transportation of commodities, chartering vessels, shipping services, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services.

Results and appropriation of profit

The results of the Group for the year ended 31 December 2015 are set out on page 25 of these consolidated financial statements.

Going concern

The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defence and/or negotiations. In this regard, the Company pursued the necessary approvals from regulators and its shareholders to allow for issuance of mandatory convertible bonds ("MCBs") to raise financing to settle liabilities from specified creditors. Such efforts included the holding of two extraordinary general meetings ("EGM") on 4 January 2014 and 30 April 2015 to secure approval for issuing the MCBs and to allocate certain amounts for settling with creditors. Subsequently, the shareholders convened a general assembly meeting ("GAM") on 18 January 2016 in which the following resolutions, among others, were unanimously approved:

- Issuance of MCBs with a cash value of AED 92 million equivalent to USD 25 million;
- Offering MCBs to the Company's existing shareholders first and thereafter offering all the Bonds or the balance thereof, as the case may be, to the Company's creditors;
- Cash paid by the shareholders against MCBs will be the higher of the average share price in the market during the 30 days preceding the passing of the General Assembly's Special Resolution or the share price in the market at closing on the business day immediately preceding the date of the General Assembly meeting in which the Special Resolution approving the issuance of Bonds has been passed. Whereas for the creditors the monetary value of the Bonds shall be at least 5% higher than the one offered to the shareholders in accordance with the prospectus as approved by SCA; and
- Authorisation of specified directors (namely, H.E. Salem Ali Al Zaabi and Mr. Jassim Alsediqqi) to have all the authorities to represent the Company and run its business and sign on its behalf including but not limited to negotiating with third parties and creditors in respect of the MCBs until the election of a new Board of Directors or filling the vacant positions on the Board of Directors in accordance with the laws and regulations.

As of the date of authorisation of these consolidated financial statements, the discussions with lenders and other creditors are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. The Directors, after reviewing the Group's improving profitability, cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of these consolidated financial statements and after reviewing the status of the Group's legal defence, the MCB offering, 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 consolidated financial statements.

Directors

The Directors of the Company during the year were as follows:

H.E. Salem Ali Al Zaabi	(Vice Chairman)
Mr. Nizar Abdul Razaq Salman Al Qannas	(Director)
Mr. Mubarak Ahmed Bin Fahad	(Director)
Mr. Jassim Alsediqqi	(Director – appointed on 31 October 2015)
Mr. Hazza Baker Al Qahtani	(Chairman – resigned on 14 January 2016)
Mr. Nasser Baker Al Kahtani	(Director – resigned on 14 January 2016)
Mr. Hakeem Al Otaibi	(Director – resigned on 14 January 2016)
Dr. Sandeep Kadwe	(Director – resigned on 14 January 2016)
Mr. Abdulla Suleiman Alharthy	(Director – resigned on 14 January 2016)
Capt. Faisal Mubarak Al Qahtani	(Director – resigned on 14 January 2016)
Mr. Magid Attalla Al-Shamrokh	(Director – resigned on 14 January 2016)

Auditors

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers.

Signed by:

H.E. Salem Ali Al Zaabi
Vice Chairman of the Board

Independent Auditor's report

to the shareholders of Gulf Navigation Holding PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gulf Navigation Holding PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 2 to the consolidated financial statements, which states that as at 31 December 2015, the Group had accumulated losses of AED 242 million with a net current liability position of AED 617 million. Note 2 also refers to breaches of certain terms of the loan agreements and ongoing discussions with the Group's bankers and other creditors. 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 opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;
(ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
(iii) the Group has maintained proper books of accounts;
(iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
(v) the Group has not purchased or invested in any shares during the year ended 31 December 2015;
(vi) Note 18 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
(viii) Note 21 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2015.

PricewaterhouseCoopers
12th February 2016

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Consolidated balance sheet

	Note	At 31 December 2015 AED'000	 2014 AED'000
ASSETS			
Non-current assets			
Vessels, property and equipment	6	651,387	686,554
Goodwill	7	135,999	135,999
Investment in joint ventures	8	109,177	106,554
Due from a related party	18	33,419	31,314
		929,982	960,421
Current assets			
Inventories	9	7,682	7,583
Due from a related party	18	192	180
Trade and other receivables	10	25,385	28,833
Term deposits	24	-	127
Cash and bank balances	11	33,267	26,251
		66,526	62,974
Total assets		**996,508**	**1,023,395**
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to equity holders of the Group			
Share capital	12	551,667	551,667
Statutory reserve	13	2,017	32,549
Accumulated losses		(242,287)	(292,991)
Net equity		311,397	291,225
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefits	16	1,967	1,741
Current liabilities			
Bank borrowings	15	430,506	469,990
Trade and other payables	17	233,246	234,729
Due to related parties	18	8,412	14,730
Loan from related parties	18	10,980	10,980
		683,144	730,429
Total liabilities		685,111	732,170
Total equity and liabilities		996,508	1,023,395

The consolidated financial statements were authorised for issuance and approved by the Directors on 12 February 2016:

H.E. Salem Ali Al Zaabi
Vice Chairman of the Board

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Consolidated income statement

	Note	Year ended 31 December 2015 AED'000	2014 AED'000
Operating revenue	19	143,183	127,700
Operating costs	20	(99,647)	(90,093)
Gross profit		43,536	37,607
Other income		3,018	2,191
General and administrative expenses	21	(23,453)	(25,004)
Operating profit		23,101	14,794
Finance income		2,128	2,021
Finance costs	25	(7,680)	(10,221)
Finance costs - net		(5,552)	(8,200)
Share of net profit of joint ventures accounted for using the equity method	8	2,623	3,434
Profit for the year		20,172	10,028
Earnings per share			
- Basic and diluted (AED)	23	0.037	0.018

Consolidated statement of comprehensive income

	Year ended 31 December 2015 AED'000	2014 AED'000
Profit for the year	20,172	10,028
Other comprehensive income for the year	-	-
Total comprehensive income for the year	20,172	10,028

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital AED'000	Statutory 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 (Note 12)	(1,103,333)	-	1,103,333	-
Comprehensive income				
Profit and total comprehensive income for the year	-	-	10,028	10,028
Transfer to statutory reserve (Note 13)	-	1,003	(1,003)	-
Balance at 31 December 2014	551,667	32,549	(292,991)	291,225
Offset of statutory reserve against accumulated losses (Note 13)	-	(32,549)	32,549	-
Comprehensive income				
Profit and total comprehensive income for the year	-	-	20,172	20,172
Transfer to statutory reserve (Note 13)	-	2,017	(2,017)	-
Balance at 31 December 2015	551,667	2,017	(242,287)	311,397

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 December 2015 AED'000	2014 AED'000
Cash flows from operating activities			
Profit for the year		20,172	10,028
Adjustments for:			
Depreciation	6	35,192	35,113
Share of profit in joint ventures	8	(2,623)	(3,434)
Provision for employees' end of service benefits	16	348	447
Finance costs	25	7,680	10,221
Finance income		(2,128)	(2,021)
Profit on sale of vessels, property and equipment		-	(34)
Reversal for impairment of trade receivables	10	-	(801)
Operating cash flows before payment of employees' end of service benefits and changes in working capital		58,641	49,519
Payment of employees' end of service benefits	16	(122)	(83)
Changes in working capital:			
Inventories		(99)	(1,242)
Due from a related party (excluding finance income)		-	2,267
Trade and other receivables (excluding awards receivables) before movement in provision for impairment and write offs		(2,466)	110
Trade and other payables (excluding dividend payable and accrued interest)		(4,821)	(8,669)
Due to related parties (excluding dividend payable to LLC shareholders)		(404)	12
Net cash generated from operating activities		50,729	41,914
Cash flows from investing activities			
Purchase of vessels, property and equipment	6	(25)	(4,282)
Proceeds from disposal of vessels, property and equipment		-	34
Proceeds from sale of non-current assets held for sale		-	368,200
Interest received		11	17
Transfer to restricted cash		(3,889)	(2,072)
Withdrawal of term deposits	24	127	-
Net cash (used in)/generated from investing activities		(3,776)	361,897
Cash flows from financing activities			
Repayment of bank borrowings	15	(39,484)	(405,541)
Interest paid		(4,149)	(7,292)
Net cash used in financing activities		(43,633)	(412,833)
Net increase/(decrease) in cash and cash equivalents		3,320	(9,022)
Cash and cash equivalents at the beginning of year		12,909	21,931
Cash and cash equivalents at the end of year	11	16,229	12,909

The notes on pages 28 to 55 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for year ended 31 december 2015

1 Legal status and activities

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

The Company and its following directly or indirectly wholly owned subsidiaries are (together referred to as "the Group") in the consolidated financial statements:

Subsidiaries	Country of incorporation
Gulf Navigation Group FZCO	United Arab Emirates
Gulf Navigation Ship Management FZE	United Arab Emirates
Gulf Ship FZE	United Arab Emirates
Gulf Crude Carriers LLC	United Arab Emirates
Gulf Chemical Carriers LLC	United Arab Emirates
Gulf Navigation Maritime LLC	United Arab Emirates
Gulf Navigation and Brokerage LLC	Oman
Gulf Eyadah Corporation	Panama
Gulf Huwaylat Corporation	Panama
Gulf Deffi Corporation	Panama
Gulf Jalmuda Corporation	Panama
Gulf Fanatir Corporation	Panama
Gulf Sheba Shipping Limited	Hong Kong
Gulf Ahmadi Shipping Inc	Marshal Islands
Gulf Shagra Shipping Inc	Marshal Islands
Gulf Navigation Holding PJSC (Br)	Kingdom of Saudi Arabia

The Group also has interests in the following jointly controlled entities:

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

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

2 Summary of significant accounting policies

The principal accounting policies adopted by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Going concern

At 31 December 2015, the Group remains in breach of specified covenants with its lenders. These breaches have rendered the loans to be technically payable on demand. Notwithstanding the breach, the related bank borrowings are currently fully serviced, with no default on principal or interest payments. Meantime, the Group's bank borrowings are presented as current liabilities as at 31 December 2015, which resulted in a net current liability position of AED 616,618 thousand as of that date. The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defence and/or negotiations. In this regard, the Company pursued the necessary approvals from regulators and its shareholders to allow for issuance of mandatory convertible bonds ("MCBs") to raise financing to settle liabilities from specified creditors. Such efforts included the holding of two extraordinary general meetings ("EGM") on 4 January 2014 and 30 April 2015 to secure approval for issuing the MCBs and to allocate certain amounts for settling with creditors. Subsequently, the shareholders convened a general assembly meeting ("GAM") on 18 January 2016 in which the following resolutions, among others, were unanimously approved:

- Issuance of MCBs with a cash value of AED 92 million equivalent to USD 25 million;
- Offering MCBs to the Company's existing shareholders first and thereafter offering all the Bonds or the balance thereof, as the case may be, to the Company's creditors;
- Cash paid by the shareholders against MCBs will be the higher of the average share price in the market during the 30 days preceding the passing of the General Assembly's Special Resolution or the share price in the market at closing on the business day immediately preceding the date of the General Assembly meeting in which the Special Resolution approving the issuance of Bonds has been passed. Whereas for the creditors the monetary value of the Bonds shall be at least 5% higher than the one offered to the shareholders in accordance with the prospectus as approved by SCA; and
- Authorisation of specified directors to have all the authorities to represent the Company and run its business and sign on its behalf including but not limited to negotiating with third parties and creditors in respect of the MCBs until the election of a new Board of Directors or filling the vacant positions on the Board of Directors in accordance with the laws and regulations.

As of the date of authorisation of these consolidated financial statements, the discussions with lenders and other creditors are in progress and the Group believes that a mutually acceptable arrangement will be reached with all parties. In relation to this, one agreement has already been reached with one of the creditors whereby the Company will settle either in the form of cash or MCB to such creditor subject to necessary approval from relevant authorities. The Directors, after reviewing the Group's improving profitability, cash flow forecasts and strategic plans for a period of not less than twelve (12) months from the date of the signing of these consolidated financial statements and after reviewing the status of the Group's legal defence, the MCB offering, 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 consolidated financial statements.

New and amended standards adopted by the Group

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Group.

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

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

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

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances, unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

(c) Equity method

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivables from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of joint ventures is tested for impairment in accordance with the policy described in Note 2.9.

(d) Changes in ownership interests

The Group treats transactions with non-controlled interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries and jointly controlled entities (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 consolidated financial statements of the Group are presented in United Arab Emirates Dirhams ("AED"), which is the presentation currency of the Group. Amounts in USD have been translated into AED at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to bank borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other income'.

(c) Group companies

The results and financial position of all the Group subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combination, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interested issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Vessels, property and equipment

Vessels, property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

Depreciation is computed using the straight line method to allocate asset's cost less their estimated residual values over their expected useful lives, as follows:

	Years
Vessels	11-25
Leasehold improvements	10
Equipment	2-5
Furniture & fixtures	5
Vehicles	5
Dry docking costs (included in carrying amount of vessels)	3-5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and included in the consolidated income statement.

Vessels in the course of construction are carried at cost less impairment (if any), as capital work-in-progress, and are transferred to the category of vessels when available for use.

2.6 Intangible assets

Goodwill

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.7 Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'due from related parties', 'cash and bank balances' and 'term deposits' in the consolidated balance sheet (Notes 10, 11, 18 and 24).

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest method. The Group assesses, at the end of each reporting date, whether there is objective evidence that financial assets are impaired.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a first in first out (FIFO) basis and includes all attributable import expenses. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. If collection is expected in one year or less, or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and current accounts with banks.

2.13 Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the bank borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.17 Provision for employees' end of service benefits

Provision is made, using actuarial techniques, for the full amount of end of service benefits due to employees in accordance with UAE Labour Law, for their periods of service up to the end of reporting period. The provision relating to end of service benefits is disclosed as a non-current liability. A provision is also made for the estimated liability for leave passage as a result of services rendered by employees up to the end of reporting period and is disclosed as a current liability and included in trade and other payables.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders (reserve for own shares) until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity holders.

2.19 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below:

Revenues received from time charters are recognised on a straight line basis over the duration of the charter.

Shipping services, marine products sales and distribution revenues consist of the invoiced value of goods supplied and services rendered, net of discounts and returns and are recognised when goods are delivered and services have been performed.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive committee that makes strategic decisions.

2.23 Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand dirhams unless otherwise stated.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, and fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department under the policies approved by the Board of Directors. The Group Finance team identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk and investing excess liquidity.

Key financial risk management reports are produced monthly on a Group level and provided to the key management personnel of the Group.

(a) Market risk

(i) Foreign exchange risk

The Group is not significantly exposed to foreign exchange risk as the majority of its sales, purchases and borrowings are primarily denominated in the respective functional currencies of Group companies or in AED which is pegged to USD.

The currency conversion rate between the USD and the AED has remained stable over the past several years.

(ii) Price risk

The Group is not exposed to any significant price risk.

(iii) Fair value interest rate risk

The Group is not exposed to any significant fair value interest rate risk due to changes in interest rates.

(iv) Cash flow interest rate risk

The Group's interest rate risk principally arises from long-term borrowings at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's interest rate risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved quarterly by the Board of Directors. Management analyses the Group's interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is done on a monthly basis to verify that the maximum potential loss is within the limits set by management.

Had the bank borrowing interest rate shifted by 50 basis points (in the case of floating interest rates) and all other variables remained unchanged, the net profits and equity of the Group would have changed by AED 2,148 thousand for the year ended 31 December 2015 (2014: AED 2,224 thousand) accordingly.

(b) Credit risk

Credit risk mainly arises from trade receivables, cash and bank balances and due from related parties. Only banks and financial institutions which are independently rated or with high reputation are accepted. Other receivables and due from related parties, except provided for, are fully recoverable at the balance sheet date.

The credit quality of the financial assets held with banks can be assessed by reference to external credit ratings as follows:

Counterparty	Rating (Moody's) 2015	Rating (Moody's) 2014	2015 AED'000	2014 AED'000
Banks				
A	A1	A2	14,214	10,314
B	Aa3	Aa3	10,880	11,073
C	Aa3	-	2,656	-
D	A2	A2	88	2,936
E	A1	A1	3	3
F	Baa1	Baa1	2	1,706
G	Baa1	Baa1	1	53
H	Unrated	-	3,866	-
I	Unrated	-	1,244	-
Cash and bank balances (excluding cash on hand)			32,954	26,085

The credit risk related to trade and other receivables is disclosed in Note 10.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance monitors the rolling forecast of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities and also to cover the future capital requirements. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The following are the contractual maturities of financial liabilities, including estimated interest payments and including the impact of netting agreements:

	Carrying amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000
At 31 December 2015			
Trade and other payables (excluding advance from customers and dividend payable)	212,423	212,423	212,423
Due to related parties	8,412	8,412	8,412
Loan from related parties	10,980	10,980	10,980
Bank borrowings	430,506	*430,506	*430,506
	662,321	662,321	662,321
At 31 December 2014			
Trade and other payables (excluding advance from customers and dividend payable)	213,302	213,302	213,302
Due to related parties	14,730	14,730	14,730
Loan from related parties	10,980	10,980	10,980
Bank borrowings	469,990	*469,990	*469,990
	709,002	709,002	709,002

* These amounts do not include cash flows with respect to interest payments, since the bank borrowings are classified as current liabilities.

The future interest in respect of bank borrowings amounts to AED 17,352 thousand (2014: 21,724 thousand). The payment profile of this interest is as follows:

	2015 AED'000	2014 AED'000
Not later than one year	5,389	4,372
Between one year and five years	11,963	17,352
	17,352	21,724

3.2 Capital risk management

The primary objective of the Group's capital management is to maintain an optimal capital structure in order to support its business thereby increasing shareholder's value and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents 'bank borrowings' and 'loan from related parties' as shown in the consolidated balance sheet less 'cash and cash equivalents' as shown in the consolidated statement of cash flows. Total capital is calculated as 'total equity' as shown in consolidated balance sheet plus net debt.

	2015 AED'000	2014 AED'000
Total borrowings (Note 15 and Note 18)	441,486	480,970
Cash and cash equivalents (Note 11)	(16,229)	(12,909)
Net debt	425,257	468,061
Total equity	311,397	291,225
Total capital	736,654	759,286
Gearing ratio	57.7%	61.6%

3.3 Fair value estimation

The Group did not have any other financial assets or liabilities that are measured at fair value at 31 December 2015 and 2014.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as below:

(a) Impairment of vessels, property and equipment

Management assesses the impairment of vessels, property and equipment 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.

(b) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.6. 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 7).

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% higher/lower than management's estimates at 31 December 2015 and 2014, 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.

5 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 providing workshop services for boats
- *Other:* Includes management of all divisions and administrative activities.

Vessel owning and chartering, marine products sales and distribution and shipping services meet criteria required by IFRS 8, 'Operating Segments' and reported as separate operating segments. Other segments do not meet the quantitative thresholds required by IFRS 8, and the results of these 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.

Information about reportable segments

	Vessel owning and chartering AED'000	Marine products sales and distribution AED'000	Shipping services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
2015						
Operating revenue	110,796	3,447	28,940	-	-	143,183
Finance income	-	-	-	2,128	-	2,128
Other income	-	842	54	2,122	-	3,018
Operating costs	(74,614)	(2,354)	(22,755)	-	76	(99,647)
Finance costs	(5,851)	(2)	(32)	(1,795)	-	(7,680)
General and administrative expenses	(2,161)	(964)	(2,431)	(17,897)	-	(23,453)
Share of profit in jointly controlled entities - net	2,623	-	-	-	-	2,623
Reportable segment profit / (loss)	30,793	969	3,776	(15,442)	76	20,172
At 31 December 2015						
Reportable segment assets	3,849,985	22,090	105,957	3,105,480	(6,087,004)	996,508
Reportable segment liabilities	3,991,978	20,154	70,015	2,653,290	(6,050,326)	685,111

	Vessel owning and chartering AED'000	Marine products sales and distribution AED'000	Shipping services AED'000	Other AED'000	Inter segment elimination AED'000	Total AED'000
			2014			
	107,968	3,464	16,268	-	-	127,700
	-	-	-	2,021	-	2,021
	65	898	118	1,110	-	2,191
	(75,647)	(2,601)	(11,921)	-	76	(90,093)
	(8,951)	-	(32)	(1,238)	-	(10,221)
	(2,765)	(924)	(2,051)	(19,264)	-	(25,004)
	3,434	-	-	-	-	3,434
	24,104	837	2,382	(17,371)	76	10,028
			At 31 December 2014			
	3,852,423	19,229	84,471	3,055,064	(5,987,792)	1,023,395
	4,015,303	18,262	55,477	2,594,165	(5,951,037)	732,170

6 Vessels, property and equipment

	Vessels	Leasehold improvements	Equipment	Furniture & fixtures	Vehicles	Capital work in progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost							
At 1 January 2014	888,282	2,545	1,766	270	518	108,045	1,001,426
Additions	4,232	-	14	-	36	-	4,282
Disposals	-	-	(1)	-	(51)	-	(52)
At 31 December 2014	892,514	2,545	1,779	270	503	108,045	1,005,656
Additions	-	-	25	-	-	-	25
At 31 December 2015	892,514	2,545	1,804	270	503	108,045	1,005,681
Accumulated depreciation and impairment losses							
At 1 January 2014	171,680	2,140	1,454	261	461	108,045	284,041
Charge for the year	34,812	139	114	5	43	-	35,113
Disposals	-	-	(1)	-	(51)	-	(52)
At 31 December 2014	206,492	2,279	1,567	266	453	108,045	319,102
Charge for the year	34,970	83	115	2	22	-	35,192
At 31 December 2015	241,462	2,362	1,682	268	475	108,045	354,294
Net book amount							
At 31 December 2015	651,052	183	122	2	28	-	651,387
At 31 December 2014	686,022	266	212	4	50	-	686,554

Vessels with a net book value of AED 645,475 thousand (2014: AED 679,703 thousand) as at 31 December 2015 are mortgaged as security for bank borrowings (Note 15).

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 2012 and 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 impaired the entire amount of the capital work-in-progress amounting to AED 108,045 thousand which included 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.

7 Goodwill

	2015 AED'000	2014 AED'000
Goodwill	135,999	135,999

The goodwill as of 31 December 2015 relates to goodwill that arose at the time of the IPO following the acquisition for cash of the existing businesses by the founding shareholders of Gulf Navigation Holding LLC from the original shareholders net of impairment charge. These businesses were transferred in kind by the founding shareholders of Gulf Navigation Holding LLC for a 45% shareholding in Gulf Navigation Holding PJSC. The goodwill has been allocated to the vessel owning and charter segment of the business.

Management reviews the business performance based on type of business. Management has identified the vessel owning and chartering division, marine products sales and distribution division and agency division as its main type of businesses. Goodwill is monitored by 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

Discount rate of 9.7% (2014: 8.1%) reflects management's benchmark for evaluating investment proposals. For sensitivity analysis, please refer Note 4.

8 Investment in joint ventures

	2015 AED'000	2014 AED'000
Balance at 1 January	106,554	103,120
Share of profit in joint ventures	2,623	3,434
Balance at 31 December	109,177	106,554

Investment in joint ventures represents the Group's 50% interest in Gulf Stolt Ship Management JLT and Gulf Stolt Tankers DMCCO which have been formed in accordance with a joint venture agreement with Stolt-Nielsen Indian Ocean Middle East Service Limited.

Summary financial information for the joint ventures, not adjusted for the percentage ownership held by the Group is as follows:

	Gulf Stolt Ship Management JLT		Gulf Stolt Tankers DMCCO	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Current assets	7,183	6,695	35,336	41,488
Non-current assets	68	84	565,507	579,592
Current liabilities	(780)	(976)	(321,719)	(350,942)
Non-current liabilities	(1,656)	(1,458)	(66,836)	(62,626)
Net assets	**4,815**	**4,345**	**212,288**	**207,512**
Revenue	7,645	7,766	110,201	103,211
Expenses	(7,175)	(7,576)	(105,425)	(96,533)
Profit for the year	470	190	4,776	6,678

9 Inventories

	2015 AED'000	2014 AED'000
Spare parts	6,154	5,930
Vessel oil and lubricants	1,450	1,573
Others	78	80
	7,682	7,583

10 Trade and other receivables

	2015 AED'000	2014 AED'000
Current		
Trade receivables	28,422	25,760
Provision for impairment of trade receivables	(16,073)	(16,088)
	12,349	9,672
Award receivables [Note 18(ii)]	-	5,914
Advance to suppliers	1,580	2,638
Prepayments	1,878	2,507
Other receivables	9,578	8,102
	25,385	28,833

As at 31 December 2015, trade receivables of AED 12,349 thousand (2014: AED 9,672 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2015 AED'000	2014 AED'000
Up to 150 days	9,825	6,318
More than 150 days	2,524	3,354
	12,349	9,672

As at 31 December 2015, trade receivables with a nominal value of AED 16,073 thousand (2014: AED 16,088 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2015 AED'000	2014 AED'000
Balance at 1 January	16,088	16,716
Transferred from payables	-	173
Charge for the year (Note 21)	-	482
Amounts reversed from provisions	-	(1,283)
Amounts written off	(15)	-
Balance at 31 December	16,073	16,088

The creation and release of provision for trade receivables is included in general and administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery. The other classes within trade and other receivables do not contain impaired assets. Trade and other receivables are denominated in AED.

The maximum exposure to credit risk for trade and other receivables at the reporting date is the carrying value of each class of receivable mentioned above which approximate their fair value at the reporting date. The Group does not hold any collateral as security.

11 Cash and cash equivalents

	2015 AED'000	2014 AED'000
Cash on hand	313	166
Cash at bank	32,954	26,085
Cash and bank balances	33,267	26,251
Restricted cash	(17,038)	(13,342)
Cash and cash equivalents	16,229	12,909

Restricted cash represents cash held in certain bank accounts for payment of dividends and dry docking costs.

12 Share capital

	2015 AED'000	2014 AED'000
Authorised, issued and fully paid up:		
551,666,666 shares of AED 1 each	551,667	551,667

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

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

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

13 Statutory reserve

In accordance with the UAE Federal Law No 8. of 1984 (as amended), a resolution was obtained from the shareholders during the EGM convened on 30 April 2015 to reduce the accumulated losses to the extent of the statutory 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.

As required by the UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of the profit for the year is required to be transferred to a statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances as stipulated by the law. During the year, an amount of AED 2,017 thousand (2014: AED 1,003 thousand) was transferred to the statutory reserve.

14 Derivative financial instruments

There were no financial instrument contracts entered into during the years ended 31 December 2015 and 2014.

15 Bank borrowings

	2015 AED'000	2014 AED'000
Current		
Bank borrowings	430,506	469,990

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
Repaid during the year	-	(39,484)	-	(39,484)
Balance at 31 December 2015	6,518	394,035	29,953	430,506
Average nominal interest rate	2.00%	1.00%	2.00%	1.09%
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 vessel costing AED 402,600 thousand. This loan carried interest at LIBOR plus 0.7% per annum and was payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. The balance as of 31 December 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 39,484 thousand was made during the year.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire a vessel costing AED 337,295 thousand. This loan carried interest at LIBOR plus 2.8% per annum and was payable in 23 quarterly instalments commencing from 26 April 2011. The balance as of 31 December 2015 represents the shortfall after applying the proceeds from the sale of the related vessel.

The above bank loans are secured by the following:

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

The significant covenants for the above loans are as follows:

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

At 31 December 2015, the Group continued to remain in breach of the terms of its agreements 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 31 December 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 and is negotiating with the lenders to regularise the agreement in relation to term loan II.

16 Provision for employees' end of service benefits

	2015 AED'000	2014 AED'000
Balance at 1 January	1,741	1,377
Charge for the year (Note 22)	348	447
Payments during the year	(122)	(83)
Balance at 31 December	1,967	1,741

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of the Group's obligations at 31 December 2015 and 2014, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 5% (2014: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 2.54% (2014: 2.54%). The present values of the obligations at 31 December 2015 and 2014 are not materially different from the provision computed in accordance with the UAE Labour Law.

17 Trade and other payables

	2015 AED'000	2014 AED'000
Trade payables	10,528	16,053
Dividend payable	10,880	11,073
Advance from customers	9,943	10,354
Other accruals and payables	201,895	197,249
	233,246	234,729

Other accruals and payables at 31 December 2015 includes an amount of AED 179 million (2014: AED 174 million) with respect to unfavourable arbitration awards and related interest relating to two legal matters (Note 21).

18 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.

Related party transactions:

During the year, the Group entered into the following significant transactions with related parties in the ordinary course of business at mutually agreed terms and conditions:

	2015 AED'000	2014 AED'000
Finance income - due from a related party	2,117	2,005
Finance costs - loan from related parties	1,716	1,210
Management fees charged by a jointly controlled entity	3,250	3,834
Office rental charged by other related parties	792	792

Related party balances:

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

	2015 AED'000	2014 AED'000
Due from a related party		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	33,419	31,314
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	192	180
Due to related parties		
Current		
Gulf Stolt Ship Management JLT (Joint venture)	6,173	5,799
Directors' fees	2,239	3,017
Shareholders of Gulf Navigation LLC (ii)	-	5,914
	8,412	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.

(ii) Amounts due to shareholders of Gulf Navigation LLC represent amounts payable to the shareholders of Gulf Navigation Holding LLC amounting to AED 5,914 thousand retained to cover the amounts of specified receivables guaranteed by them. Recovery of these receivables is now deemed doubtful. In accordance with an undertaking given by these shareholders, the un-recovered amount has been offset against amounts payable to them.

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

	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 31 December 2015	3,660	3,660	3,660	10,980
Average nominal interest rate (inclusive of default interest)	15%	17%	15%	16%
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 (inclusive of default interest)	11%	10%	11%	11%

Key management remuneration

	2015 AED'000	2014 AED'000
Salaries, benefits and directors' fees	1,543	1,748

The key remuneration compensation excludes expenses reimbursed amounting to AED 417 thousand (2014: AED 750 thousand).

19 Operating revenue

	2015 AED'000	2014 AED'000
Vessel chartering	100,161	97,071
Shipping services	39,512	27,165
Marine products sales and distribution	3,447	3,464
Technical services	63	-
	143,183	127,700

20 Operating costs

	2015 AED'000	2014 AED'000
Vessel chartering:		
Ship running	35,287	35,634
Vessel depreciation	31,322	31,322
Ship repair	417	671
Amortisation of dry docking costs	2,906	2,748
Shipping services:		
Operating costs	26,575	16,375
Vessel depreciation	742	742
Marine products sales and distribution	2,354	2,601
Technical services	44	-
	99,647	90,093

21 General and administrative expenses

	2015 AED'000	2014 AED'000
Staff costs (Note 22)	9,436	9,021
Provision for impairment of trade receivables (Note 10)	-	482
Legal claims	5,330	5,781
Professional fees	2,813	4,112
Other administrative expenses	5,874	5,608
	23,453	25,004

Includes amount of AED 213 thousand (2014: Nil) incurred by the Group as part of its corporate social responsibility activities.

Legal claims comprise of unfavourable arbitration awards and related interest with respect to two legal matters. The Company intends to defend against these awards and to challenge final enforcement of the awards (Note 17).

22 Staff costs

	2015 AED'000	2014 AED'000
Salaries and wages	6,464	6,584
Employees' end of service benefits (Note 16)	348	447
Other benefits	2,624	1,990
	9,436	9,021

23 Earnings per share

	2015 AED'000	2014 AED'000
Profit for the year	20,172	10,028
Number of shares (Note 12)	551,666,666	551,666,666
Basic and diluted earnings per share	0.037	0.018

In accordance with IAS 33 - Earnings Per Share, the impact of the reduction in the Company's share capital effective from 23 June 2014 (Note 12) has been considered retrospectively while computing the number of ordinary shares during all periods presented.

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to owners of the Group by the weighted average number of ordinary shares in issue. The Group plans to issue mandatory convertible bonds as part of raising finances. Some of the loans from related parties have the option to be settled by the issue of these bonds. These mandatory convertible bonds would constitute potential equity shares, however since the offer document for these bonds is not yet issued and no other information has been finalised as at the year end in relation to the ratio of these bonds to equity, dilutive potential ordinary shares cannot be calculated. Accordingly, diluted earnings/loss per share is equal to basic loss per share.

24 Term deposits

	2015 AED'000	2014 AED'000
At 1 January	127	127
Withdrawals during the year	(127)	-
At 31 December	-	127

25 Finance costs

	2015 AED'000	2014 AED'000
Interest on bank borrowings	5,964	9,011
Interest on loans from related parties	1,716	1,210
	7,680	10,221

26 Operating leases as a lessor

The Group leases 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 receivable under the non-cancellable operating leases (excluding those owned by the joint venture) are as follows:

	2015 AED'000	2014 AED'000
Not later than one year	99,127	98,857
Between one year and five years	392,533	393,873
Beyond five years	276,131	373,918
	767,791	866,648

27 Financial instruments by category

	2015 AED'000	2014 AED'000
Financial assets		
Loans and receivables		
Trade and other receivables (excluding advance to suppliers and prepayments)	21,927	23,688
Due from a related party	33,611	31,494
Term deposits	-	127
Cash and bank balances	33,267	26,251
	88,805	81,560
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	212,423	213,302
Due to related parties	8,412	14,730
Loan from related parties	10,980	10,980
Bank borrowings	430,506	469,990
	662,321	709,002

28 Commitments

There was no capital expenditure contracted for at 31 December 2015 and 2014. The commitments with respect to non-cancellable operating leases is as follows:

	2015 AED'000	2014 AED'000
Not later than 1 year	908	732
Later than one year and no later than 5 years	1,153	153
	2,061	885

29 Guarantees

	2015 AED'000	2014 AED'000
Bank guarantees	1,120	1,240

The Group has bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

30 Dividend

There is no dividend proposed for 2015 (2014: Nil).

31 Prior year corresponding figures

Certain prior year corresponding figures have been reclassified to conform to the current year's presentation.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