2014 ANNUAL REPORT

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Gulf Navigation Holding PJSC

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 used in its agency business.
- It has the sole agency for a number of global marine products.
- The Company is committed to meeting the requirements of the international management code for the safe operations of vessels and for pollution prevention (International Safety Management (ISM) Code) and to comply with all applicable international environmental laws, regulations and requirements. It is accredited by Det Norske Veritas (DNV) for both International Safety Management (ISM) and International Ship Security Certification (ISPS Code) and through Bureau Veritas we are also ISO 9001:2008 accredited.

FLEET OVERVIEW

Name	Type	Built	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 via GST	46,011 MT
STOLT FACTO	IMO Type II Chemical Tanker	Owned via GST	46,101 MT
STOLT GULF MIRDIF	IMO Type II Chemical Tanker	Owned via GST	46,105 MT
STOLT GULF MISHREF	IMO Type II Chemical Tanker	Owned via GST	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

- Started trading as a Limited Liability operation in Dubai in 2003.
- IPO Date: 24 July 2006. Listed on DFM in Feb 2007 with market capitalization of USD 452 Million (AED 1.655 Billion).
- Ownership: 57.90% UAE nationals, 23.70% GCC nationals (non-UAE), 13.10% Arab and 5.30% foreigners as of 31-Dec-2014. Nationals include individuals and institutions.
- It is a fully integrated ship owning company with its own ship management joint-venture – Gulf Stolt Ship Management.
- Ship Agency operation from all ports of the UAE.
- 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.

CHAIRM STATEM

Bism Allah Al Rahman Al Rahim

Dear Shareholders and Stakeholders of Gulf Navigation Holding PJSC,

I feel proud and happy to present a much healthier scenario of Gulf Navigation in the second year of my Chairmanship. We have achieved an operational turnaround of the Company in 2014. I appreciate the sincere efforts of the board and the management and thank our partners for their support throughout this transition.

We also faced legal challenges, with two arbitration awards issued in the first half of 2014 against the Company which significantly impacted our growth plans. The shareholders during the EGM held on 5th January 2014 approved raising of finance using Mandatory Convertible Bonds (MCB); however, it has been challenging to raise this during the year, especially due to concerns around settlement of claims of major creditors. We are continuously pursuing legal defense as well as settlement options with these creditors. We hope to resolve these issues in 2015, while defending the interests of Gulf Navigation.

With the implementation of the Capital Reduction in July 2014, the existing capital of the Company now has 551,666,666 shares, reduced from 1,655,000,000 shares in 2013. The Company has shown four (4) consecutive quarters of profit, ending the year 2014 with profit of AED 10 million. The Company is improving its financial performance and will be sustainable on as AS IS basis. We are also taking necessary steps as recommended by the local regulators. We sincerely hope shareholders will show their confidence which may ultimately reflect in supporting the share price.

On behalf of the board of directors of the Company, let me thank you for your continuous support. We hope to achieve our objective of sustainability and growth in 2015.

Hazza Baker Al Qahtani
Chairman of Board of Directors

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MANAGING DIRECTOR'S

Dear Shareholders,

2014 was full of challenges, some we could anticipate in 2013 and some were unexpected. We are happy to mention that, under the guidance of the Board of Directors of the Company, the management continued to focus on overcoming these challenges in order to find practical and effective solutions. The sale of VLCCs in February 2014, reduction of share capital in July 2014 and increasing the limit of foreign shareholding from 20% to 49% were major decisions implemented during the year. The objective was to stop operating losses, improve the balance sheet position and attract further equity investment to recapitalize the Company. The Company has now shown profit of AED 10.03 million for FY2014. With business in hand, the Company is expected to remain operationally sustainable until 2023 and beyond. The company is taking the necessary steps to resolve the legal issues. Positive closure will help to improve investor perception which may result in further direct equity investment in the company.

The chartering business continued to remain the backbone of the Company generating revenues of AED 97.1 million during 2014, which is 76% of the total revenue of AED 127.7 million of the Company. The Agency and Commercial Division continued to grow and contributed AED 30.6 million of revenue which is 24% of total revenue. Operating costs reduced from AED 148.1 million to AED 90.1 million during 2014. With these revenues, the Company managed to pay critical suppliers, creditors and claimants and reduce the outstanding balances significantly. This has helped in retaining their continued support for the operations of the Company. The carried forward losses are mainly due to provisioning and some of these provisions are partially reversible, if settled successfully.

Gulf Stolt Ship Management (GSSM) and Gulf Stolt Tankers (GST), the joint venture companies of Gulf Navigation have also shown stability in their operations during 2014. We managed to complete dry docking of the Chemical Tankers successfully during 2014 with the support of GSSM. With the addition of another third party vessel, GSSM now has a fleet of ten (10) vessels under technical ship management.

The fall in oil prices has generated concerns for some, but has also given rise to new opportunities in certain sectors. The Chemical Tankers operations of GNH remain largely unaffected, since most of its business is secured through long-term contracts and operations in pool. Gulf Navigation may continue to focus on growth opportunities in the Chemical Tanker sector and the capital raise required is partially for acquiring Chemical Tankers, partially for working capital and adding crew boats to support the growing Agency business. This addition of assets would be possible only when the new equity capital is raised. We welcome proposals from prospective investors and stakeholders by participating in these growth opportunities with Gulf Navigation. The legal issues are in the process of being resolved and management hopes that, with the leadership of the Board, close cooperation from regulators and active support from shareholders & investors, we will overcome these issues during 2015. We remain optimistic about consolidating the position of Gulf Navigation as the only listed shipping company in the region.

Dr. Sandeep Kadwe
Managing Director

STATEMENT

INDUSTRY

Global Economy

The global economy is still struggling to gain momentum as many high-income countries continue to grapple with the global financial crisis and emerging economies are less dynamic than in the past. Several major forces are driving the global outlook: soft commodity prices, persistently low interest rates and weak world trade. In particular, the sharp decline in oil prices since mid-2014 may support global activity and assist growth in oil-importing developing economies. However, it may dampen growth prospects for oil exporting countries.

GCC Economy

GCC economies are expected to grow at a heightened pace in 2015, supported by strong private business activity. The financial positions of most GCC countries are expected to stay healthy enough for them to continue spending actively, while private sector growth may offset any drop in activity in the hydrocarbon sector.

Crude Oil

The sharp decline/down trend in crude oil is expected to continue in coming years, although at a slower pace, because of ample supply. Crude oil prices fell to a 6-year low in January amid excess global supply and weak demand prospects. Lower prices has spurred global stock building, including floating storage on tankers. The outlook of slowing demand suggests surplus to remain in 2015, however, lower oil prices could also stimulate demand. Companies are already cutting investment into oil production expansion which could boost prices in the long term future.

Refinery

With the addition of refining capacity in the region, the requirement for transportation of chemicals and products may increase, benefiting the chemical and products tanker segment. Typically, MEOH, DEG, MEG, TEG, MTBE EDC, Benzene, Xylenes, Phenol, Octanol are the products where demand stems from the Far East. The demand is expected to remain consistent during 2015 and 2016.

OVERVIEW

Medium Range (MR) Tankers – Future Speculation

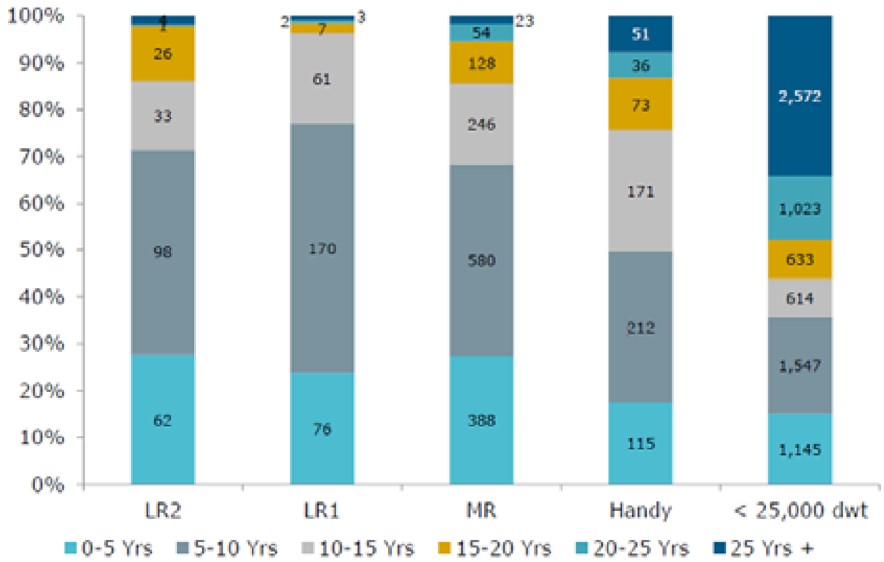
In the past 15 months, the tanker market has experienced significant changes. The new building price index for tankers in China, which bottomed out in February last year, has picked up to a level not seen since before 2011. Meanwhile, yards in Japan and Korea have full order books which will keep them busy through to 2016. In addition, the market for second-hand vessels has seen improvement. These are encouraging signs, yet it seems like the fundamental challenge of tonnage oversupply in the tanker segment may continue to depress TC rates. A large influx of MRs is due this year with 136 scheduled on the orderbook compared with actual deliveries of 73 in 2013 and 78 in 2014, which could put downward pressure to voyage charter. There are limited scrapping opportunities due to the modern nature of the fleet, but the arrival of eco-types may pressure the greater removal of non-ecos.

Global refinery capacity/product demand imbalance remains which should boost longer-haul product trade, but emerging countries' demand is at risk from slower industrial activity and reduction in oil use such as substituting biofuels.

Rising Asian demand amid the closure of refineries in Japan/Australia could provide more MR employment.

Product Tanker Age Profile

Age distribution and number of vessels in each segment



Source: Fairplay24 and MB Research

THE BOARD OF

MR. HAZZA BAKER AL QAHTANI

Chairman of Gulf Navigation Holding PJSC

Mr. Hazza Baker Al Qahtani is one of the original founders of Gulf Navigation Holding. 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.

H.E. SALEM ALI AL ZAABI

Vice Chairman of Gulf Navigation Holding PJSC / Chairman of Steering Committee

H.E. 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. Currently he serves as the Chairman of United Arab Shipping Company and Chairman of Executive Committee and Steering Committee of the company, 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 General Manager of Federal Authority of Land and Maritime Transportation since 2014. During his career, he has served as:

Board Member of Emirates Transportation.

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.

H. E. 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 H. E. 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.

DIRECTORS

MR. NASSER BAKER AL KAHTANI

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. NIZAR ABDUL RAZAQ SALMAN 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. He has also been Secretary to the Executive Committee of the Bank.

In addition, Mr Al Qannas is now a member of SAKAN and Fransi Leasing Company and was a member of Allianz SF Board of Directors in the past.

MR. ABDULLA SULEIMAN ALHARTHY

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.

DR. SANDEEP KADWE

Managing Director of Gulf Navigation Holding PJSC

Dr. Sandeep Kadwe holds a PhD in Economics, MBA in Finance, Marketing and a degree in Mechanical Engineering. He has over 22 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. HAKEEM AL-OTAIBI

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. MAGID ATTALLA AL-SHAMROKH

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

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.

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.

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. Currently, 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; H.E. Salem Al Zaabi and Mr. Magid Attalla Al-Shamrokh are the other committee members.

4. Steering Committee

The Steering Committee is established to assist 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.

H.E. Salem Al Zaabi, Vice Chairman of GNH is the Chairman of Steering Committee, while the Chairman of Executive, Audit and NR Committee are the 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 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 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 2014 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).

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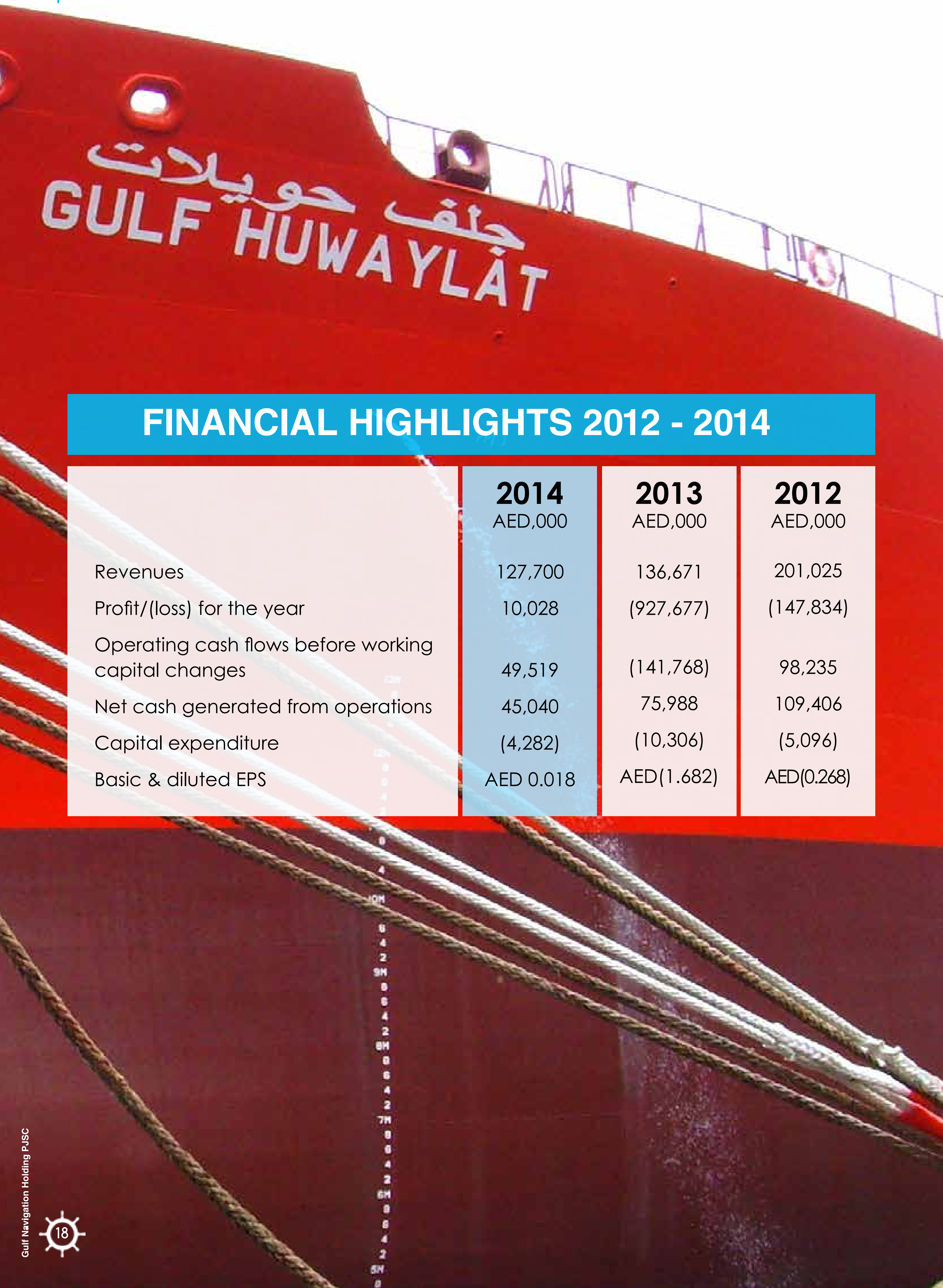
CORPORATE GOVERNANCE AND COMMITTEES

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 the strategies based on annual plans, which are reviewed, discussed and adopted by the Board and includes business strategies, financial resolutions and business plans that affect or control the performance of the Company.



FINANCIAL HIGHLIGHTS 2012 - 2014

	2014 AED,000	2013 AED,000	2012 AED,000
Revenues	127,700	136,671	201,025
Profit/(loss) for the year	10,028	(927,677)	(147,834)
Operating cash flows before working capital changes	49,519	(141,768)	98,235
Net cash generated from operations	45,040	75,988	109,406
Capital expenditure	(4,282)	(10,306)	(5,096)
Basic & diluted EPS	AED 0.018	AED(1.682)	AED(0.268)

Directors' Report & Consolidated Financial Statements

FOR THE YEAR ENDED
31 DECEMBER 2014

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014. These will be laid before the shareholders at the Annual General Meeting of the Company, which is scheduled to be held on 19 March 2015.

Principal activities

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

Results and appropriation of profit

The results of the Group for the year ended 31 December 2014 are set out on page 24 of these consolidated financial statements.

Reduction of capital and future financing plans

As of 31 December 2013, the Group had accumulated losses of AED 1,405,349 thousand which represented more than one half of the share capital. In accordance with Article 285 of the UAE Federal Law No 8. of 1984 (as amended), an extraordinary general meeting ("EGM") of the shareholders was convened on 5 January 2014 and a resolution was obtained from the shareholders to enable the Group to continue as a going concern. Further,approval from the shareholders at the EGM was also obtained for the reduction in share capital and the issuance of mandatory convertible bonds of USD 130,000 thousand.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.

In February 2014, the Group completed the sale of two vessels for a total consideration of AED 368,200 thousand including the bunker inventory on the vessels. After applying the full proceeds from the aforesaid sale against the loan balances, there is a shortfall of AED 36,471 thousand (Note 15). The Group is engaged in negotiations with the lenders aiming to settle the outstanding balance amicably. If the Group is unable to agree the required restructuring of the remaining loan related to the vessels and in the absence of other financing or legal alternatives including filing of counterclaim, the Group would be dependent on market based asset values to repay its borrowings.

As of 31 December 2014, the Group had accumulated losses of AED 292,991 thousand which represents more than one half of the share capital. In accordance with Article 285 of the UAE Federal Law No 8. of 1984 (as amended), an EGM of the shareholders is scheduled to be held during the first half of 2015 in order to obtain a resolution to enable the Group to continue as a going concern.

The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defence and/or negotiations. At 31 December 2014, the Group continued to remain in breach of the terms of the loan agreements with its lenders. These breaches gave the lenders the right to call an event of default and by further notice, declare that such loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities as at 31 December 2014, which resulted in a net current liability position of AED 667,455 thousand as of that date.

Going concern

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

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

Directors

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

Mr. Hazza Baker Al Qahtani	(Chairman)
H.E. Salem Ali Al Zaabi	(Vice Chairman)
Mr. Nasser Baker Al Kahtani	(Director)
Mr. Nizar Abdul Razaq Salman Al Qannas	(Director)
Mr. Hakeem Al-Otaibi	(Director)
Dr. Sandeep Kadwe	(Director)
Mr. Abdulla Suleiman Alharthy	(Director)
Mr. Mubarak Ahmad Bin Fahad	(Director)
Capt. Faisal Al Qahtani	(Director)
Mr. Magid Attalla Al Shamrokh	(Director)
Ms. Sahia Ahmed	(Director, resigned on 15 March 2014)

Auditors

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers who, retire and being eligible, offer themselves for reappointment.

On behalf of the Board

Hazza Baker Al Qahtani
Chairman of the Board
14 February 2015

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 of 31 December 2014, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and 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 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 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 of 31 December 2014, 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 31December 2014, the Group had accumulated losses of AED 293 million with a net current liability position of AED 667 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, in respect of the Company, as required by the UAE Federal Law No. (8) of 1984, as amended, we report that:

(i) we have obtained all the information we considered necessary for the purposes of our audit;
(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of the Company;
(iii) the Company has maintained proper books of accounts and has carried out the physical verification of inventories in accordance with properly established procedures;
(iv) the financial information included in the Directors' report is consistent with the books of account of the Company ; and
(v) nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as of 31 December 2014.

PricewaterhouseCoopers
14 February 2015

Douglas O'Mahony
Registered Auditor Number 834
Dubai, United Arab Emirates

CONSOLIDATED BALANCE SHEET

	Note	At 31 December 2014 AED'000	2013 AED'000
Assets			
Non-current assets			
Vessels, property and equipment	6	686,554	717,385
Goodwill	7	135,999	135,999
Investment in joint ventures	8	106,554	103,120
Due from a related party	18	31,314	25,631
		960,421	982,135
Current assets			
Inventories	9	7,583	6,341
Due from related parties	18	180	6,126
Trade and other receivables	10	29,006	28,315
Term deposits	25	127	127
Cash and bank balances	11	26,251	33,201
		63,147	74,110
Assets of a disposal group classified as held for sale	23	-	368,200
		63,147	442,310
Total assets		1,023,568	1,424,445
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital	12	551,667	1,655,000
Statutory reserve	13	32,549	31,546
Accumulated losses		(292,991)	(1,405,349)
Total equity		291,225	281,197
Non-current liabilities			
Provision for employees' end of service benefits	16	1,741	1,377
Current liabilities			
Borrowings	15	469,990	843,221
Trade and other payables	17	234,902	272,952
Due to related parties	18	14,730	14,718
Loan from related parties	18	10,980	10,980
		730,602	1,141,871
Total liabilities		732,343	1,143,248
Total equity and liabilities		1,023,568	1,424,445

The consolidated financial statements were authorised for issuance and approved by the Board of Directors on 14/2/2015 and signed on its behalf by:

Hazza Baker Al Qahtani

Chairman of the Board

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 AED'000	2013 AED'000
Operating revenue	19	127,700	136,671
Other operating costs	20	(90,093)	(148,124)
Gross profit / (loss)		37,607	(11,453)
Other income		2,191	7,376
General and administrative expenses	21	(25,004)	(196,245)
Provision for impairment of capital work-in-progress	6	-	(108,045)
Impairment of goodwill	7	-	(292,804)
Net realisable value adjustment on vessels classified as held for sale	23	-	(262,661)
Operating profit/(loss) for the year		14,794	(863,832)
Finance income		2,021	4,495
Finance costs	26	(10,221)	(59,762)
Finance costs - net		(8,200)	(55,267)
Share of profit/(loss) in jointly controlled entities - net	8	3,434	(8,578)
Profit/(loss) for the year		10,028	(927,677)
Profit/(loss) per share			
- Basic and diluted (AED)	24	0.018	(1.682)

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2014 AED'000	2013 AED'000
Profit/(loss) for the year	10,028	(927,677)
Other comprehensive income:		
Items that may be subsequently reclassified to income statement		
Effective portion of changes in fair value of interest rate swap hedges	-	51,660
Reclassification to income statement		
Interest rate swap hedge reserve recycled to the consolidated income statement	-	(22,512)
Other comprehensive income for the year	-	29,148
Total comprehensive income/(loss) for the year	10,028	(898,529)

The notes on pages 28 to 48 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	Hedging reserve for interest rate swaps AED'000	Total AED'000
Balance at 1 January 2013	1,655,000	31,546	(477,672)	(29,148)	1,179,726
Comprehensive income					
Loss for the year	-	-	(927,677)	-	(927,677)
Other comprehensive income					
Hedge reserve, net	-	-	-	29,148	29,148
Total comprehensive income/ (loss) for the year	-	-	(927,677)	29,148	(898,529)
Balance at 31 December 2013	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

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 AED'000	2013 AED'000
Cash flows from operating activities			
Profit/(loss) for the year		10,028	(927,677)
Adjustments for :			
Depreciation	6	35,113	56,912
Impairment of goodwill	7	-	292,804
Provision for impairment of capital work-in-progress	6	-	108,045
Net realisable value adjustment on vessels classified as held for sale	23	-	262,661
Share of (profit)/loss in jointly controlled entities	8	(3,434)	8,578
Provision for employees' end of service benefits	16	447	233
Profit on sale of vessels, property and equipment		(34)	(242)
(Reversal)/provision for impairment of trade receivables	10	(801)	1,651
Finance income		(2,021)	(4,495)
Finance costs	26	10,221	59,762
Operating cash flows before working capital changes and payment of employees' end of service benefits		49,519	(141,768)
Payment of employees' end of service benefits	16	(83)	(268)
Changes in working capital:			
Inventories	9	(1,242)	(6,941)
Due from a related party, excluding finance income		2,267	(732)
Trade and other receivables before movement in provision for impairment and write offs	10	110	14,978
Trade and other payables (excluding dividend payable)		(5,543)	205,590
Due to related parties	18	12	5,129
Net cash generated from operating activities		45,040	75,988
Cash flows from investing activities			
Purchase of vessels, property and equipment	6	(4,282)	(10,306)
Proceeds from disposal of vessels, property and equipment		34	7,320
Proceeds from sale of non current assets held for sale	23	368,200	-
Interest received		17	2,772
Transfer to restricted cash		(2,269)	-
Adjustments in investment in joint ventures	8	-	204
Withdrawal of term deposits	25	-	25,800
Net cash generated from investing activities		361,700	25,790
Cash flows from financing activities			
Repayment of borrowings	15	(405,541)	(86,924)
Loan from related parties	18	-	10,980
Interest paid	26	(10,221)	(42,706)
Net cash used in financing activities		(415,762)	(118,650)
Net decrease in cash and cash equivalents		(9,022)	(16,872)
Cash and cash equivalents at the beginning of year		21,931	38,803
Cash and cash equivalents at the end of year	11	12,909	21,931

The notes on pages 28 to 48 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

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, ship agency, marine transport under special passenger and merchant contracts, clearing and forwarding services and container loading, unloading, discharging and packaging services through its subsidiaries as listed below. The Company operates from the 32nd Floor, Suite Number 3201, Saba Tower-1, Jumeirah Lakes 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%

2 SUMMARY OF THE 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 IFRIC interpretations. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments.

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

As of 31 December 2013, the Group had accumulated losses of AED 1,405,349 thousand which represented more than one half of the share capital. In accordance with Article 285 of the UAE Federal Law No. 8 of 1984 (as amended), an extraordinary general meeting ("EGM") of the shareholders was convened on 5 January 2014 and a resolution was obtained from the shareholders to enable the Group to continue as a going concern. Further, on approval from the shareholders at the EGM was also obtained for the reduction in share capital and the issuance of mandatory convertible bonds of USD 130,000 thousand. 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.

In February 2014, the Group completed the sale of two vessels for a total consideration of AED 368,200 thousand including the bunker inventory on the vessels. After applying the full proceeds from the aforesaid sale against the loan balances, there is a shortfall of AED 36,471 thousand (Note 15). The Group is engaged in negotiations with the lenders aiming to settle the outstanding balance amicably. If the Group is unable to agree the required restructuring of the remaining loan related to the vessels and in the absence of other financing or legal alternatives including filing of counterclaim, the Group would be dependent on market based asset values to repay its borrowings.

As of 31 December 2014, the Group had accumulated losses of AED 292,991 thousand which represents more than one half of the share capital. In accordance with Article 285 of the UAE Federal Law No. 8 of 1984 (as amended), an EGM of the shareholders is scheduled to be held during the first half of 2015 in order to obtain a resolution to enable the Group to continue as a going concern. The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and/or additional equity and the Group's ability to reverse or mitigate the impact of adverse arbitration awards through legal defence and/or negotiations. At 31 December 2014, the Group continued to remain in breach of the terms of the loan agreements with its lenders. These breaches gave the lenders the right to call an event of default and by further notice, declare that such loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities as at 31 December 2014, which resulted in a net current liability position of AED 667,455 thousand as of that date.

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

As of the date of authorisation of 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. Management is also considering various options for raising additional finance to fund the Group's working capital and future investment requirements.

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

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

a. New standards, amendments to published standards and interpretations

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

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

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

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

- 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 IFRSs, amendments or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

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 over 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gain and loses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in consolidated income statement or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is 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 consolidated income statement.

A listing of the Group's principal subsidiaries is set out in Note 1.

(b) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the 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 and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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.

2.3 FOREIGN CURRENCIES

(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 US Dollars have been translated into United Arab Emirates Dirhams at the rate of USD 1 = AED 3.66 as there is a constant peg between USD and AED.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within 'finance income or costs'. All other foreign exchange gain 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 VESSELS, PROPERTY AND EQUIPMENT

Vessels, property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that are 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. 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
Buildings	30
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 (Note 2.9).

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.

2.5 INTANGIBLE ASSETS

Goodwill arises on the acquisition of subsidiaries and jointly controlled entities and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the groups of cash generating units ("CGUs"), that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.6 NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

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

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 10,18, 11 and 25).

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 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its interest rate swaps as a hedge of exposure to variability in future interest payments on variable rate debts (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to effective portion of interest rate swaps hedging variable rate borrowings is recognised in the consolidated income statement within 'finance income/cost'.

The fair value of interest rate swaps (hedging instrument), is based on the mark-to-market valuation provided by the designated banks at the reporting date and is calculated as the present value of the estimated future cash flows.

2.9 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. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulties, possibility that they will enter bankruptcy or other financial reorganisation and default in payments.

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.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed 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 assets carrying amount exceed its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 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.

2.12 TRADE RECEIVABLES

Trade receivables are amounts due from customers for 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.

2.13 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits with an original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown as current liabilities.

2.14 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.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 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.

2.15 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially 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.

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

2.16 TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequent measured at amortised cost using the effective interest method.

2.17 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2.18 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.

2.19 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.

2.20 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 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 charter are recognised on a straight line basis over the duration of the charter.

Ship agency and commercial agency revenues consist of the invoiced value of goods supplied and services rendered, net of discounts and returns and is recognised when goods are delivered and services have been performed.

2.22 LEASES

Group as lessor

Rental income from operating leases (net of any incentives given to lessees) is recognised in the consolidated income statement on a straight-line basis over the lease term.

2.23 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.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value 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 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) Fair value interest rate risk

The Group has short-term period fixed rate financial liabilities and assets. As a result, the Group is not exposed to fair value interest rate risk due to changes in interest rates.

(iii) Cash flow interest rate risk

The Group's interest bearing assets primarily comprise short term bank deposits. 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 2,224 thousand for the year ended 31 December 2014 (2013: AED 1,809 thousand) accordingly.

(iv) Price risk

The Group is not exposed to any significant price risk.

(b) Credit risk

Credit risk mainly arises from trade receivables, cash and bank balances, deposits with banks 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	2014 AED'000	2013 AED'000
Banks			
A	A2	10,314	13,274
B	Baa1	53	1,263
C	A1	-	3,699
D	Baa1	1,706	843
E	A2	2,936	2,693
F	Aa3	11,073	11,271
G	A1	3	3
Cash and bank balances (excluding cash on hand)		26,085	33,046

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 2014			
Trade and other payables (excluding advance from customers and dividend payable)	213,475	213,475	213,475
Due to related parties	14,730	14,730	14,730
Loan from related parties	10,980	10,980	10,980
Borrowings	469,990	*469,990	*469,990
	709,175	709,175	709,175
At 31 December 2013			
Trade and other payables (excluding advance from customers and dividend payable)	253,056	253,056	253,056
Due to related parties	14,718	14,718	14,718
Loan from related parties	10,980	10,980	10,980
Borrowings	843,221	*843,221	*843,221
	1,121,975	1,121,975	1,121,975

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

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 bank balances' as shown in the consolidated balance sheet. Total capital is calculated as 'total equity' as shown in consolidated balance sheet plus net debt.

	2014 AED'000	**2013 AED'000**
Total borrowings	480,970	854,201
Cash and cash equivalents (Note 11)	(12,909)	(21,931)
Net debt	468,061	832,270
Total equity	291,225	281,197
Total capital	759,286	1,113,467
Gearing ratio	61.6%	74.7%

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 2014 and 2013.

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 follows:

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 2.5. 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 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;
- Commercial: Trading of goods such as supplies, chemicals and gases required for ships;
- Agency: Providing agency services to ships calling at ports; and
- Other: Includes management of all divisions and administrative activities.

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

For the year ended 31 December 2014, operating revenue and net profit attributable to crew boat operations amounted to AED 10,897 thousand (2013: AED 11,467 thousand) and AED 3,635 thousand (2013: AED 3,651 thousand) respectively. As of 31December 2014, total reportable assets and liabilities attributable to crew boat operations amounted to AED 6,318 thousand (31 December 2013: AED 7,060 thousand) and AED Nil (31 December 2013: AED Nil) respectively.

Geographical segments

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

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

Information about reportable segments, all figures in AED '000

	Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
2014						
Operating revenue	107,968	3,464	16,268	-	-	127,700
Finance income	-	-	-	2,021	-	2,021
Other income	65	898	118	1,110	-	2,191
Operating costs	(75,647)	(2,601)	(11,921)	-	76	(90,093)
Finance costs	(8,951)	-	(32)	(1,238)	-	(10,221)
General and administrative expenses	(2,765)	(924)	(2,051)	(19,264)	-	(25,004)
Impairment of goodwill	-	-	-	-	-	-
Provision for impair-ment of capital work-in-progress	-	-	-	-	-	-
Expenses relating to assets classified as held for sale	-	-	-	-	-	-
Share of profit/(loss) in jointly controlled entities – net	-	-	-	3,434	-	3,434
Reportable segment profit/(loss)	20,670	837	2,382	(13,937)	76	10,028
At 31 December 2014						
Reportable segment assets	3,609,870	19,229	84,471	3,297,790	(5,987,792)	1,023,568
Reportable segment liabilities	4,015,303	18,262	55,477	2,594,338	(5,951,037)	732,343

Vessel owning and chartering	Commercial	Agency	Other	Inter segment elimination	Total
		2013			
118,511	2,748	15,412	-	-	136,671
2,755	-	-	1,740	-	4,495
5,426	715	60	1,175	-	7,376
(135,135)	(1,982)	(11,083)	-	76	(148,124)
(58,436)	(2)	(39)	(1,285)	-	(59,762)
(127,621)	(900)	(1,894)	(65,830)	-	(196,245)
(292,804)	-	-	-	-	(292,804)
(108,045)	-	-	-	-	(108,045)
(262,661)	-	-	-	-	(262,661)
(8,578)	-	-	-	-	(8,578)
(866,588)	579	2,456	(64,200)	76	(927,677)
		At 31 December 2013			
3,853,422	14,906	65,722	3,341,384	(5,850,989)	1,424,445
4,504,525	14,776	43,487	2,394,616	(5,814,156)	1,143,248

6 VESSELS, PROPERTY AND EQUIPMENT

	Vessels AED'000	Buildings AED'000	Leasehold improvements AED'000	Equipment AED'000	Furniture &fixtures AED'000	Vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost								
At 1 January 2013	1,633,703	8,885	2,545	1,752	270	518	108,045	1,755,718
Additions	10,292	-	-	14	-	-	-	10,306
Disposals	-	(8,885)	-	-	-	-	-	(8,885)
Asset classified as held for sale (Note 23)	(755,713)	-	-	-	-	-	-	(755,713)
At 31 December 2013	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
Depreciation and impairment losses								
At 1 January 2013	249,969	1,745	1,964	1,292	254	409	-	255,633
Charge for the year	56,453	62	176	162	7	52	-	56,912
Provision for impairment	-	-	-	-	-	-	108,045	108,045
Disposals	-	(1,807)	-	-	-	-	-	(1,807)
Asset classified as held for sale (Note 23)	(134,742)	-	-	-	-	-	-	(134,742)
At 31 December 2013	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
Net book amount								
At 31 December 2014	686,022	-	266	212	4	50	-	686,554
At 31 December 2013	716,602	-	405	312	9	57	-	717,385

Vessels with a net book value of AED 679,703 thousand (2013: AED 709,540 thousand) as at 31 December 2014 are mortgaged as security for borrowings (Note 15).

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

The Group's management had previously contracted with a shipyard ("the Contractor") for the construction of two new vessels. The carrying amount of advances recorded as part of capital work-in-progress as of 31 December 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

	2014 AED'000	2013 AED'000
Goodwill	135,999	428,803
Impairment charge	-	(292,804)
	135,999	135,999

The goodwill as of 31 December 2014 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, Commercial division and Agency division as main type of businesses. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

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

Key assumptions used in value in use calculations are:

Gross margin

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

	2014	2013
Growth rate	2%	2%

Discount rates

8.1% (2013: 8%) reflects management's benchmark for evaluating investment proposals.

Based on the above computation, no impairment charge (2013: AED 292,804 thousand) was recognised during the year. For sensitivity analysis, please refer Note 4.

8 INVESTMENT IN JOINT VENTURES

	2014 AED'000	2013 AED'000
Balance at 1 January	103,120	111,902
Share of profit/(loss) in joint ventures	3,434	(8,578)
Adjustments to the investment	-	(204)
Balance at 31 December	106,554	103,120

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 jointly controlled entities, not adjusted for the percentage ownership held by the Group is as follows:

	Gulf Stolt Ship Management JLT		Gulf Stolt Tankers DMCCO	
	2014 AED'000	2013 AED'000	2014 AED'000	2013 AED'000
Current assets	6,695	6,048	41,488	35,484
Non-current assets	84	123	579,592	602,135
Current liabilities	(976)	(725)	(13,226)	(20,390)
Non-current liabilities	(1,458)	(1,291)	(400,342)	(416,395)
Net assets	4,345	4,155	207,512	200,834
Revenue	7,766	8,334	103,211	93,992
Expenses	(7,576)	(6,830)	(96,533)	(112,652)
Profit / (loss) for the year	190	1,504	6,678	(18,660)

9 INVENTORIES

	2014 AED'000	2013 AED'000
Spare parts	5,930	4,744
Vessel oil and lubricants	1,573	1,510
Others	80	87
	7,583	6,341

10 TRADE AND OTHER RECEIVABLES

	2014 AED'000	2013 AED'000
Current		
Trade receivables	25,760	24,338
Provision for impairment of trade receivables	(15,915)	(16,716)
	9,845	7,622
Award receivables (Note 18(ii))	5,914	5,914
Advance to suppliers	2,638	4,311
Prepayments	2,507	1,477
Other receivables	8,102	8,991
	29,006	28,315

As at 31 December 2014, trade receivables of AED 9,845 thousand (2013: AED 7,622 thousand) were past due but not impaired. The ageing of these trade receivables is as follows:

	2014 AED'000	2013 AED'000
Up to 150 days	6,318	6,752
More than 150 days	3,527	870
	9,845	7,622

As at 31 December 2014, trade receivables with a nominal value of AED 15,915thousand (2013: AED 16,716 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2014 AED'000	2013 AED'000
Balance at 1 January	16,716	17,855
Charge for the year (Note 21)	482	1,651
Amounts reversed from provisions	(1,283)	(2,790)
Balance at 31 December	15,915	16,716

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 BANK BALANCES

	2014 AED'000	2013 AED'000
Cash on hand	166	155
Cash at bank	26,085	33,046
Cash and bank balances	26,251	33,201
Less: Restricted cash	(13,342)	(11,270)
Cash and cash equivalents	12,909	21,931

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

12 SHARE CAPITAL

Authorised, issued and fully paid up:

	2014 AED'000	2013 AED'000
303,333,333 shares of AED 1 each (2013: 910,000,000 shares of AED 1 each paid in cash)	303,333	910,000
248,333,333 shares of AED 1 each (2013: 745,000,000 shares of AED 1 each paid in kind	248,334	745,000
	551,667	1,655,000

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

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.

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

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

The reduction in the share capital 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

As required by the UAE Federal Law No. (8) of 1984, as amended, 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 1,003,000 (2013: AED Nil) was transferred to the statutory reserve.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Group terminated the interest rate swap contract during the year ended 31 December 2013. There were no financial instrument contracts entered into during the year ended 31 December 2014.

15 BORROWINGS

	2014 AED'000	2013 AED'000
Current		
Borrowings	469,990	843,221

The movement of bank borrowings are summarised as below:

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2014	190,792	470,860	181,569	843,221
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 (Note 23)	(192,900)	-	(175,300)	(368,200)
Repaid during the year	-	(37,341)	-	(37,341)
Balance at 31December 2014	6,518	433,519	29,953	469,990
Average nominal interest rate	1.29%	0.95%	2.25%	1.21%
Balance at 1 January 2013	207,541	531,893	190,711	930,145
Less: repaid during the year	(16,749)	(61,033)	(9,142)	(86,924)
Balance at 31 December 2013	190,792	470,860	181,569	843,221
Average nominal interest rate	3.60%	1.05%	3.60%	2.75%

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire 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 31December 2014 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 to AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand by 31 March 2019. A repayment of AED 37,341 thousand was made during the year.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire 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 31December 2014 represents the shortfall after applying the proceeds from the sale of the related vessel.

The above bank loans are secured by the following:

- assignment of 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 2014, the Group continued to remain in breach of the terms of its agreement with its lenders. The breach has given the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 December 2014. The Group's management are in discussions with these lenders to restructure the repayment of the shortfall in term loans I and III above (Note 2) and is negotiating with the lenders to regularise the agreement in relation to term loan II.

The Group is engaged in negotiations with the lenders aiming to settle the outstanding amicably.

16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2014 AED'000	2013 AED'000
Balance at 1 January	1,377	1,412
Charge for the year (Note 22)	447	233
Payments during the year	(83)	(268)
Balance at 31 December	1,741	1,377

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 2014 and 2013, 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% (2013: 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% (2013: 2.54%). The present values of the obligations at 31 December 2014 and 2013 are not materially different from the provision computed in accordance with the UAE Labour Law.

17 TRADE AND OTHER PAYABLES

	2014 AED'000	2013 AED'000
Trade payables	16,053	19,391
Dividend payable	11,073	11,270
Advance from customers	10,354	8,626
Other accruals and payables	197,422	233,665
	234,902	272,952

Other accruals and payables at 31 December 2014 includes an amount of AED 171 million (2013: AED 165 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.

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:

	2014 AED'000	2013 AED'000
Management fees charged by a jointly controlled entity	3,834	4,787
Sale of a building to a share holder	-	7,320
Office rental charged by a shareholder (Note 29)	732	580
Office rental charged by a director	60	70

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

	2014 AED'000	2013 AED'000
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	31,314	25,631
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	180	4,143
Gulf Stolt Ship Management Group JLT (Joint venture)	-	1,983
	180	6,126
Due to related parties		
Current		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	5,799	6,736
Directors fee	3,017	2,068
	14,730	14,718
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 represents amounts payable to the shareholders of Gulf Navigation Holding LLC in respect of an amount of AED 5,914 thousand retained to cover the amounts of awards receivables guaranteed by them. Awards receivables of AED 5,914 thousand included in trade receivables, represents amounts awarded by the arbitrators for claims filed by Gulf Navigation Holding LLC against certain third parties. In accordance with an undertaking given by certain shareholders of Gulf Navigation Holding LLC, any un-recovered amount will be set-off against amounts payable to them.

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

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
Balance at 1 January 2014	3,660	3,660	3,660	10,980
Balance at 31 December 2014	3,660	3,660	3,660	10,980
Average nominal interest rate	11.61%	10.11%	11.34%	11.02%
Balance at 1 January 2013	-	-	-	-
Add: Amount availed	3,660	3,660	3,660	10,980
Balance at 31 December 2013	3,660	3,660	3,660	10,980
Average nominal interest rate	6.5%	-	6.5%	4.33%

Key management remuneration	2014 AED'000	2013 AED'000
Salaries and benefits	1,748	2,105
End of service benefits	-	16
	1,748	2,121

The key remuneration compensation excludes expenses reimbursed amounting to AED 750,394 (2013: AED 1,249,382).

19 OPERATING REVENUE

	2014 AED'000	2013 AED'000
Vessel chartering	97,071	107,044
Ship agency	27,165	26,879
Commercial agency	3,464	2,748
	127,700	136,671

20 OTHER OPERATING COSTS

	2014 AED'000	2013 AED'000
Vessel chartering:		
Ship running	35,634	62,260
Vessel depreciation	31,322	52,169
Ship repair	671	2,871
Amortisation of dry docking costs	2,748	2,236
Others	-	9,615
Ship agency:		
Operating costs	16,375	16,279
Vessel depreciation	742	712
Commercial agency	2,601	1,982
	90,093	148,124

21 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 AED'000	2013 AED'000
Staff costs (Note 22)	9,021	8,467
Provision for impairment of trade receivables (Note 10)	482	1,651
Legal claims*	5,781	164,957
Professional fees	4,112	6,979
Other administrative expenses	5,608	14,191
	25,004	196,245

*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 prevent final enforcement of the awards (Note 17).

22 STAFF COSTS

	2014 AED'000	2013 AED'000
Salaries and wages	6,584	6,387
Employees' end of service benefits (Note 16)	447	233
Other benefits	1,990	1,847
	9,021	8,467

23 NON-CURRENT ASSETS HELD FOR SALE

Following the arrest of two of the Group's vessels during the year ended 31 December 2013 (Note 6) and based on discussions with lenders, management took a decision to sell both the vessels. Accordingly, these vessels were presented as non-current assets held for sale at their respective estimated net realisable values as at 31 December 2013.

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

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

	2014 AED'000	2013 AED'000
Assets of a disposal group classified as held for sale		
Net book value of the vessels	-	620,971
Inventory	-	9,890
	-	630,861
Net realisable value adjustment on vessels classified as held for sale	-	(262,661)
Net recoverable value	-	368,200

There were no non-current assets held for sale as at 31 December 2014.

24 EARNINGS/(LOSS) PER SHARE

	2014 AED'000	2013 AED'000
Profit/(loss) for the year	10,028	(927,677)
Number of shares	551,666,666	551,666,666
Basic and diluted earnings/(loss) per share	0.018	(1.682)

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 equity holders of the Group by the weighted average number of ordinary shares in issue as at 31 December 2014. The Group plans to issue mandatory convertible bond as part of raising finances, few 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 is available as at the year-end in relation to the ratio of these bonds to equity,dilutive potential ordinary shares cannot be calculated; therefore diluted earnings /loss per share is equal to basic loss per share.

25 TERM DEPOSITS

	2014 AED'000	2013 AED'000
At 1 January	127	25,927
Withdrawals during the year	-	(25,800)
At 31 December	127	127

(i) Term deposits of AED 127 thousand (2013: AED 127 thousand) relates to a fixed deposit held with a bank in relation to the guarantee provided by the bank for additional security against the borrowings.

26 FINANCE COSTS

	2014 AED'000	2013 AED'000
Interest on bank borrowings	10,221	37,250
Interest rate swap hedge reserve recycled to the consolidated income statement	-	22,512
	10,221	59,762

27 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 receivables under the non-cancellable operating leases (excluding those owned by the joint venture) are as follows:

	2014 AED'000	2013 AED'000
Not later than one year	98,857	98,857
Between one year and five years	393,873	395,426
Beyond five years	373,918	471,439
	866,648	965,722

28 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2014 AED'000	2013 AED'000
Financial assets		
Trade and other receivables (excluding advance to suppliers and prepayments)	23,861	22,527
Due from a related party	31,494	31,757
Term deposits	127	127
Cash and bank balances	26,251	33,201
	81,733	87,612
Financial liabilities		
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	213,475	253,056
Due to related parties	14,730	14,718
Loan from related parties	10,980	10,980
Borrowings	469,990	843,221
	709,175	1,121,975

29 COMMITMENTS

There was no capital expenditure contracted for at 31 December 2014 and 2013. The commitments with respect to non-cancelling operating leases is as follows:

	2014 AED'000	2013 AED'000
No later than 1 year	732	732
Later than one year and no later than 5 years	153	885
	885	1,617

30 GUARANTEES

	2014 AED'000	2013 AED'000
Bank guarantees	1,240	1,220

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

31 DIVIDEND

There is no dividend proposed for 2014 (2013: AED Nil).


NO SMOKING


NO SMOKING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