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Gulf Navigation Holding PJSC

2013 ANNUAL REPORT

Gulf Navigation Holding PJSC

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CONTENTS

COMPANY OVERVIEW

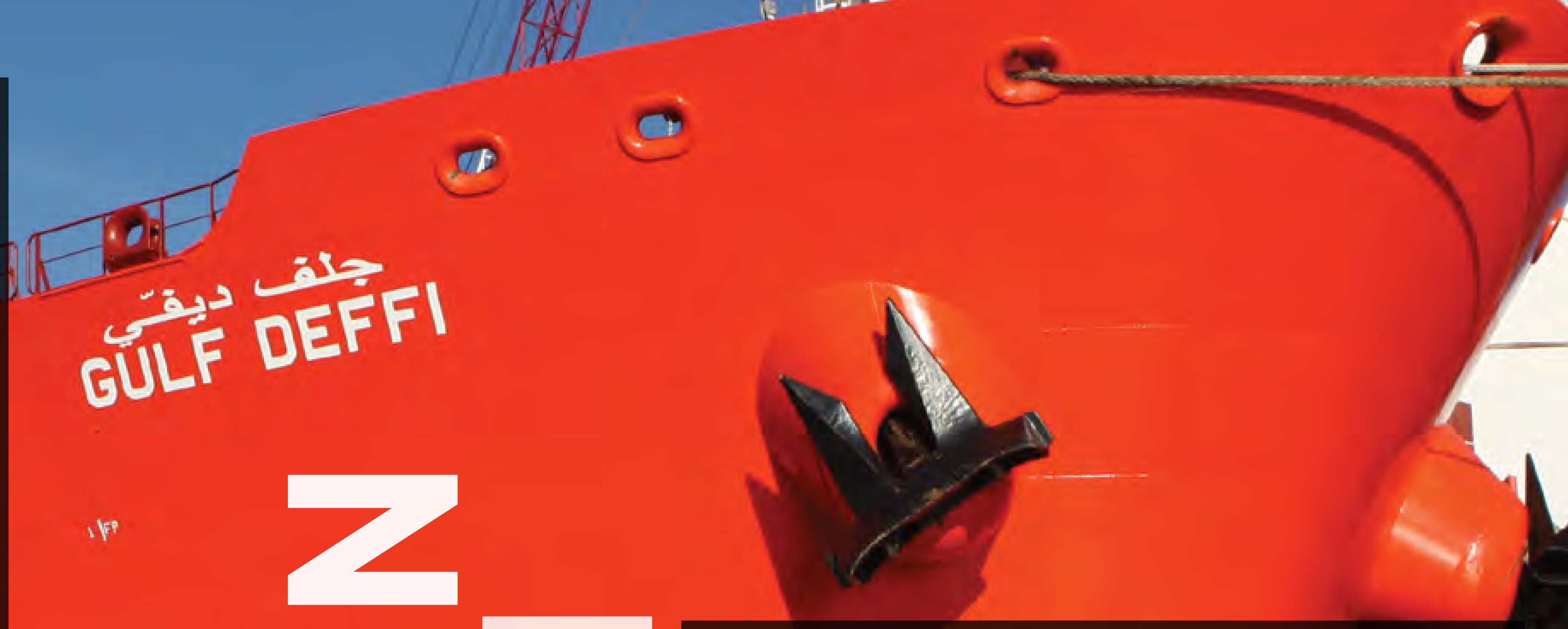
- Gulf Navigation Holding PJSC (GNH) and its group of companies own and operate chemical tankers. It is the only maritime and shipping company listed on the Dubai Financial Market
- The Company was listed in February 2007 and trades under the symbol 'GULFNAV'.
- The GNH fleet comprises of 8 chemical 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 Code (ISM)) 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 ISO9001:2008 accredited.

FLEET OVERVIEW

Name	Type	Ownership	Dwt
M/T GULF DEFFI	IMO Type II Chemical Tanker	Owned	MT46200
M/T GULF FANATIR	IMO Type II Chemical Tanker	Owned	MT46200
M/T GULF HUWAYLAT	IMO Type II Chemical Tanker	Owned	MT46200
M/T GULF JALMUDA	IMO Type II Chemical Tanker	Owned	MT46200
M/T STOLT SISTO	IMO Type II Chemical Tanker	Owned via GST	MT41388
M/T STOLT FACTO	IMO Type II Chemical Tanker	Owned via GST	MT41388
M/T STOLT GULF MIRDIF	IMO Type II Chemical Tanker	Owned via GST	MT41388
M/T STOLT GULF MISHREF	IMO Type II Chemical Tanker	Owned via GST	MT41388
GULF DEBA	Crew Boat	Owned	
GULF DEIRA	Crew Boat	Owned	
GULF NAV1	Crew Boat	Owned	
GULF NAV2	Crew Boat	Owned	

KEY FACTS & 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: 55.14% UAE nationals, 25.71% GCC nationals (non-UAE), 11.59% Arab and 7.56% foreigners as of 07-Apr-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

VISION & MISSION STATEMENTS

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.

CHAIRMAN'S STATEMENT

Bism Allah Al Rahman Al Rahim

Dear Shareholders, Partners and Employees of Gulf Navigation,

2013 was indeed a challenging year for the new board of directors, who took over from the previous board in May, 2013. At the outset, let me thank the board of directors to elect me as Chairman, I appreciate this very much.

As a founder member of this company, I was obviously involved since inception of this company in 2003. Our vision was to make this company a leading shipping company, when we decided to list the company on DFM in 2007. Initial 3 years were good for the company, but the market situation started deteriorating in 2010 onwards. In 2012 and 2013, the company faced many challenges as the cash drain continued due to losses incurred, mainly due to VLCC segment.

To turnaround this company, this situation needed tough decisions and clear direction. In order to provide strategic direction to the company, the new board decided to introduce important changes in the management of company.

First major decision taken by the new board of directors and the management was to stop this loss and propose sale of vlccs. The company worked very closely with all stakeholders to finally sale vlccs in Feb, 2014. The company is now concentrating on business of chemical tankers and also planning to buy more assets, once equity finance is raised.

The next major decision the company has taken is to write off losses and reduce the capital of company and the shareholders approved this recommendation on 5th Jan, 2014. Once capital reduction is implemented after approval from SCA, current shareholding will be consolidated.

This is being done in order to invite more investment from strategic and financial investors through subscription of Mandatory Convertible bonds. We hope investors will respond positively to our offer.

We have also proposed and now working to increase the limit for foreign shareholding to 49% from current 20%.

In the meanwhile, the company is working with various trade creditors, claimant for making payments under various claims and hopes to resolve the situation soon.

At the same time, we are continuously exploring new opportunities in the market to reposition the company on growth path.

I would like to assure the shareholders and various stakeholders on behalf of the Board of Directors and the new management, that we are taking all necessary steps to overcome the challenges faced by the company and seek your continued support for the success and growth of this company in 2014.

Hazza Baker Al Qahtani
Chairman of Board of Directors

MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

On the occasion of seventh Annual General meeting of Gulf Navigation Holding PJSC ("GNH"), I take this opportunity to reconnect with the shareholders and present the current status of this company. During my association with this company as Corporate Advisor in 2005-2007, a strategic plan was presented for growth, while raising funds through IPO. The board and management of the company then pursued this agenda further. However, somewhere in 2010-12, business did not proceed as expected. I had the privilege to join the current board in May 2013 and I am thankful for the new board for entrusting the responsibility as Managing Director of this company since May 2013. It was very clear since then that GNH did not have enough cash to sustain continuous losses arising from VLCC operations. The board consciously took the tough decision to exit from VLCC segment in June 2013. It took the management eight months to implement this decision, since we had to adhere to certain procedure, work closely with lenders and find best possible price for the VLCCs in most difficult circumstances. With successful sale of VLCCs in February 2014, the cash loss stopped immediately.

The company has two major streams of revenues left after the sale of VLCCs. Four chemical tankers chartered to SABIC have remaining 10 years of time charter left with a remaining contract value of over US$ 264 million, which is a backbone for GNH. In 2013, total revenue was AED 136.7 million of which the CT revenues was AED 83.4 million, contributing 61% total revenue. The Agency and Commercial division revenues came next, earning AED 29.6 million during 2013, which was 22% of total revenue. The VLCC revenue was reduced due to arrests since September and October; VLCCs generated revenues of AED 23.7 million until time of arrest, contributing 17% of total revenue.

The two joint ventures we have, Gulf Stolt Ship Management (GSSM) and Gulf Stolt Tanker (GST) are adding immense value to the business of GNH. We are happy to share that GSSM, who primarily managed the vessels owned by GNH and GST, has now added a third party vessel for technical ship management. GST operations are stabilizing and showing growth prospects with four chemical tankers under management with Stolt pool.

We expect this trend to continue in 2014, besides expanding into new business.

The business expansion prospects for GNH look good, since there will be significant addition to refining capacity in the region. We are aiming to develop strategic relationships with refineries and oil majors in the region to leverage on existing strengths and the uniqueness that GNH is the only listed entity in UAE from shipping sector. The focus would remain on making investment in Chemical and Product tanker segment, where GNH has proven capabilities, besides exploring possibilities in off shore segment in due course, where we need to build expertise. GNH shall be considered as an excellent platform by many global strategic partners to consolidate their presence and operations in this region and we would be happy to consider such alliances to achieve sustainability, growth and diversification in near future.

The management considers protecting shareholders interest a priority and appreciate patience and cooperation by current shareholders. We anticipate new shareholders to join the family and add substantial value to the company in terms of their positive contributions. Our objective is to continue to work very closely with all stakeholders and create value through synergic benefits and leveraging on strengths of all stakeholders. Employees are key assets of the company and the management appreciates contribution of employees who showed commitment, dedication and professionalism during the course of last one year. The management also value very kind and professional support given by the board of directors, who bring decades of very rich experience from the shipping, banking and finance sector. The management would like to place on record immense guidance and support provided by regulators and government entities in UAE. We look forward to march into 2014 with confidence and successfully implement the turnaround of GNH for the benefit of shareholders.

Dr. Sandeep Kadwe
Managing Director

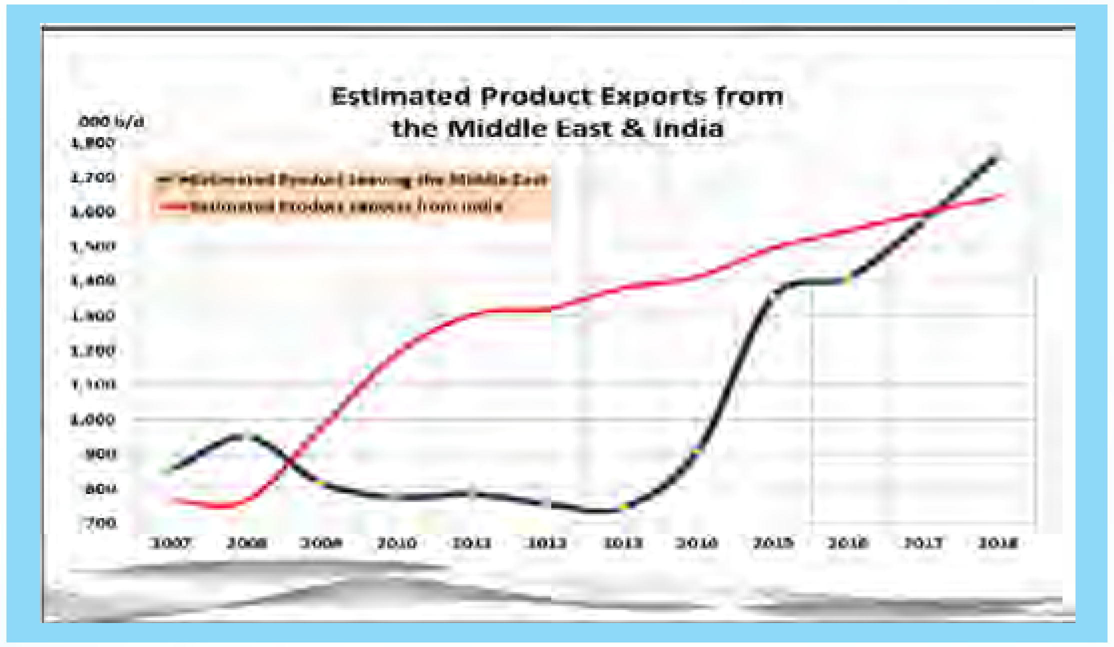
INDUSTRY OVERVIEW

CHEMICAL TANKER SEGMENT

MR/HANDY Tanker Fleet
Developments over the Past 12 months

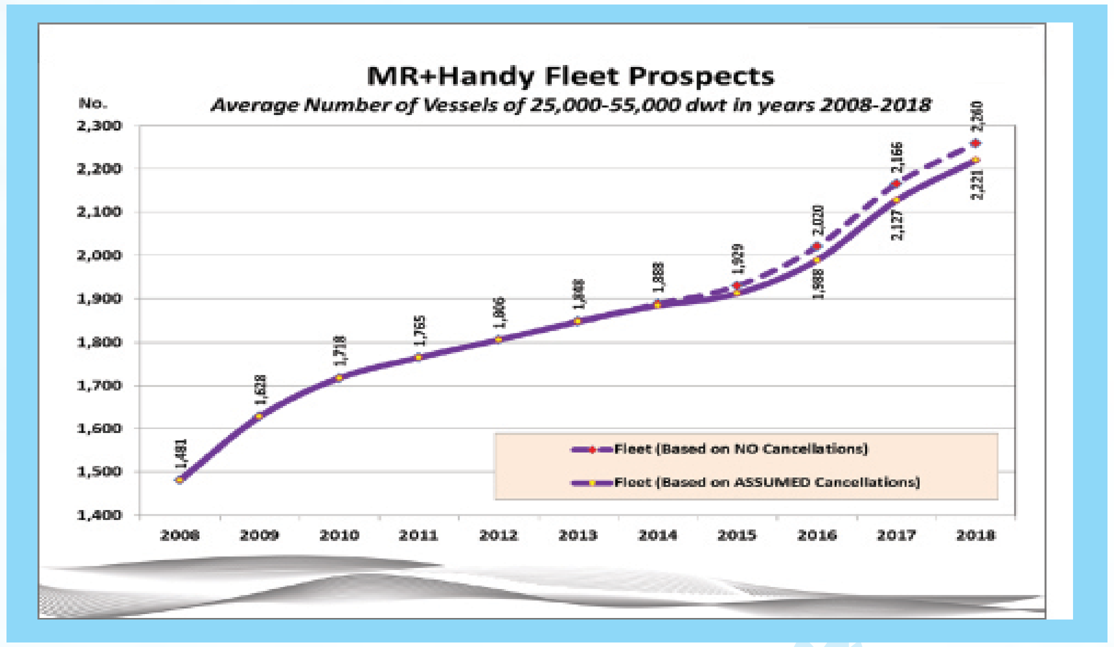
	Feb	Feb	Change	
	2013	2014	No.	%
MR/Handy	1,831	1,874	+43	2%

Source: Gibson



Source: Gibson

Export trades following build-up in new capacities will result in demand for new delivery vessels to meet additional logistical requirement.



Source: Gibson

Order book for chemical tanker remains relatively low compared to other shipping sectors. Growth expectation in chemical trade and healthy scrapping will propel market conditions which will support time charter earnings and asset values in the near future.

BOARD OF DIRECTORS

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 a 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 Acting Director General of National Transport Authority, The Maritime Administration of UAE. He has an overall responsibility to propose the general policies, laws and regulations to ensure the efficiency and safety of maritime and land transportation in the UAE.

He began his career as Asst. Vice President of United Arab Shipping Company in 1991 after which he held position as Assistant Under-Secretary in Land & Marine Affairs Sector-Ministry of Communication, UAE. Since 2012, He also holds the position as the Acting Director General and Executive Director - Land and Marine Affairs Sector, including Railways - National Transport Authority. At National Transport Authority, he works closely with his skilled and experienced team in realizing the Vision and Mission of National Transport Authority that is centered on establishing an integrated transportation for a sustainable growth.

Currently, he serves as the Chairman of United Arab Shipping Company and he is also the Chairman of the Executive Committee and Chairman of Steering Committee of United Arab Shipping Company, the official shipping line owned by the Gulf Countries and Vice Chairman of Emirates Classification Society (Tasneef).

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, UK and Harvard University, Boston - USA.

MR. NASSER BAKER AL KAHTANI

Chairman of Executive Committee

Mr. Nasser Al-Kahtani, a Saudi National, is the Executive Director of the Arab Gulf Programme 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 played leading roles and has bold 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 A. AL QANNAS

Chairman of Numeration & 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 1999 Mr. Al Qannas has held the position of Secretariat General as well as Board of Directors Secretary since Bank inception. 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 Companies and was a member of Allianz SF Board of Directors in the past.

MR. ABDULLA SULEIMAN ALHARTHY

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 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

Captain Faisal Al Qahtani, of Saudi nationality, is an advisor at DP World for the Middle East & Africa.

Captain Faisal Al Qahtani obtained a Master's Degree in Nautical Studies. He worked for the National Maritime Transport Company in the Kingdom of Saudi Arabic as the Operations and Central Logistics Manager. He held this position up until 2003, when he joined Al Zamel Industrial as the Director General of the Company. In 2003 -2007, he worked for the United Company for Marine Lines. In 2007, he joined DP World and held the office of the Deputy President and Chief Executive Officer for the Middle East & Africa.

Captain Faisal Al Qahtani played a pivotal role in drawing up the long and short term strategic plans for DP World, in addition to his remarkable contribution to the development of the project according to business plans. He also played a very important role in the proprietorship of Al Sokhna Port in Egypt.

Captain Faisal Al Qahtani is currently 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 is also the Chairman of the Board of Directors of Bahakim Group together with being a partner and founder of Ocean Power Company.

MRS. SAHIA AHMAD*

Chairman of Audit Committee

Mrs. Sahia Ahmad is the General Counsel of Emirates Investment Authority, the Sovereign Wealth Fund of the United Arab Emirates Federal Government where she is a member of the Management Committee. Sahia completed her schooling in Dubai and studied law at King›s College, London where she received a LLB with Honors. She then qualified as a Barrister as a member of Lincoln›s Inn. Sahia is the first UAE National to become a member the Bar of England and Wales and the first to have been named as a partner in a global law firm. Her career has included practicing Law in the UAE for 18 years, first at Allen & Overy, as founding General Counsel of Dubai World and as a Partner in one of the world›s largest law firms. She has advised governments and multinationals through her career and has been involved in drafting many of Dubai's Laws.

Sahia currently serves on the advisory boards of Dubai International Academy, Innovators Education and the Cherie Blair Foundation for Women.

*The Board has accepted Mrs. Sahia Ahmad Resignation on the 15th of March 2014.

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 four members; Mr. Nasser Al-Kahtani, Mr. Hakeem Al-Otaibi, Dr. Sandeep Kadwe, Mr. Abdulla Suleiman Alharthy, Capt. Faisal Al Qahtani.

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 three members who are all non-executive board directors; Mrs. Sahia Ahmad is the Chairman of the committee; Mr. Abdulla Suleiman Alharthy, Mr. Hakeem Al-Otaibi, Mr. Magid Attalla Al-Shamrokh are the other committee members.

3. Nomination and Remuneration Committee

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

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

4. Steering Committee

Steering Committee is establish to assists and report to the Chairman of Board of Directors in defining short term and long term business plan which can be then implemented through the management of the company.

H.E. Mr. Salem Al Zaabi, Vice Chairman of GNH is the Chairman of Steering Committee, while 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 ESCA.

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 the GNH's interest and objectives.

Corporate Governance Report of Gulf Navigation Holding PJSC

The detailed Corporate Governance report for 2013 is available on the Gulf Navigation website (www.gulfnav.com), website of the Securities and Commodities Authority (www.sca.ae), and the Dubai Financial Market's website (www.dfm.ae).

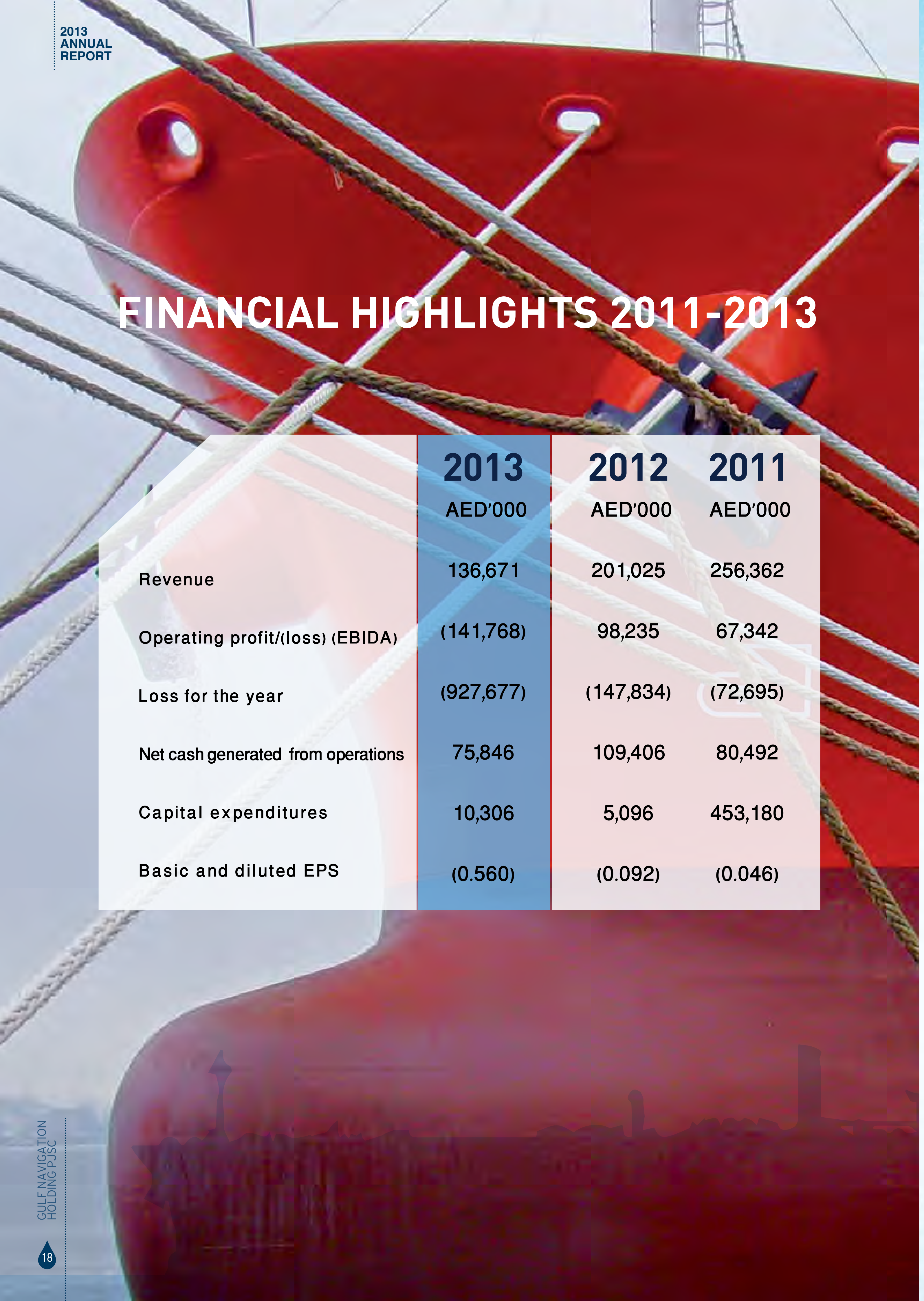
CORPORATE GOVERNANCE AND COMMITTEES

Gulf Navigation Holding PJSC has fully adopted and implemented the relevant corporate governance rules as set out by Emirates Securities and Commodities Authority (ESCA).

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

COMMITTEES



FINANCIAL HIGHLIGHTS 2011-2013

	2013 AED'000	2012 AED'000	2011 AED'000
Revenue	136,671	201,025	256,362
Operating profit/(loss) (EBIDA)	(141,768)	98,235	67,342
Loss for the year	(927,677)	(147,834)	(72,695)
Net cash generated from operations	75,846	109,406	80,492
Capital expenditures	10,306	5,096	453,180
Basic and diluted EPS	(0.560)	(0.092)	(0.046)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013. These will be laid before the share holders at the Annual General Meeting of the Company, which is scheduled to be held on 27 April 2014.

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 2013 are set out on page 23 of these consolidated financial statements.

Directors

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

Mr. Hazza Baker Al Qahtani	(Chairman)
Mr. Salem Ali Al Zabi	(Vice Chairman)
Mr. Nasser Baker Al Kahtani	(Director)
Mr. Nizar Al Qannas	(Director)
Mr. Hakeem Al Otaibi	(Director)
Mr. Magid Al Shamrokh	(Director)
Ms. Sahia Ahmed	(Director, resigned on 15 March 2014)
Dr. Sandeep Kadwe	(Director)
Mr. Abdulla Alharthy	(Director)
Cap. Faisal Mubarak Al Qahtani	(Director)
Mr. Mohammad Abdurrahman Aljallaf	(Director, resigned on 19 December 2013)

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

CONSOLIDATED FINANCIAL STATEMENTS

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 2013, 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 disclosure 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 2013, 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 the Group incurred a loss of AED 927.68 million during the year ended 31 December 2013. As of that date, the Group had accumulated losses of AED 1,405.35 million and a net current liability position of AED 699.56 million. 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:

- we have obtained all the information we considered necessary for the purposes of our audit;
- 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;
- the Company has maintained proper books of accounts and has carried out the physical verification of inventories in accordance with properly established procedures;
- the financial information included in the Directors' report is consistent with the books of account of the Company; and
- 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 2013.

PricewaterhouseCoopers
23 March 2014

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

CONSOLIDATED BALANCE SHEET

	Note	2013 AED'000	2012 AED'000
		At 31 December	
Assets			
Non-current assets			
Vessels, property and equipment	6	717,385	1,500,085
Goodwill	7	135,999	428,803
Investment in joint ventures	8	103,120	111,902
Due from a related party	18	25,631	25,631
		982,135	2,066,421
Current assets			
Inventories	9	6,341	9,290
Due from related parties	18	6,126	3,671
Trade and other receivables	10	28,315	44,944
Term deposits	26	127	25,927
Cash and cash equivalents	11	33,201	50,215
		74,110	134,047
Assets of a disposal group classified as held for sale	24	368,200	-
		442,310	134,047
Total assets		1,424,445	2,200,468
Equity and liabilities			
Equity attributable to equity holders of the Group			
Share capital	12	1,655,000	1,655,000
Statutory reserve	13	31,546	31,546
Accumulated losses		(1,405,349)	(477,672)
		281,197	1,208,874
Hedging reserve for interest rate swaps	14	-	(29,148)
Total equity		281,197	1,179,726
Non-current liabilities			
Provision for employees' end of service benefits	16	1,377	1,412
Interest rate swap liabilities	14	-	7,105
		1,377	8,517
Current liabilities			
Trade and other payables	17	272,952	50,448
Due to related parties	18	14,718	9,589
Loan from related parties	18	10,980	-
Interest rate swap liabilities	14	-	22,043
Borrowings	15	843,221	930,145
		1,141,871	1,012,225
Total liabilities		1,143,248	1,020,742
Total equity and liabilities		1,424,445	2,200,468

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

The consolidated financial statements were authorised for issuance and approved by the Board of Directors on 23 March, 2014 and signed on its behalf by:

Hazza Baker Al Qahtani

CONSOLIDATED INCOME STATEMENT

	Note	2013 AED'000	2012 AED'000
		Year ended 31 December	
Operating revenue	19	136,671	201,025
Voyage related direct costs	20	(1,534)	(9,888)
Other operating costs	21	(146,590)	(137,421)
Gross (loss)/profit		(11,453)	53,716
Other income		7,376	1,852
General and administrative expenses	22	(196,245)	(32,706)
Impairment of goodwill	7	(292,804)	(89,747)
Provision for impairment of capital work-in-progress	6	(108,045)	-
Net realisable value adjustment on vessels classified as held for sale	24	(262,661)	-
Operating loss for the year		(863,832)	(66,885)
Finance income		4,495	2,234
Finance costs	28	(59,762)	(59,476)
Finance costs – net		(55,267)	(57,242)
Share of loss in jointly controlled entities – net	8	(8,578)	(23,707)
Loss for the year		(927,677)	(147,834)
Loss per share			
- Basic and diluted (AED)	25	(0.560)	(0.092)

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2013	2012
	AED'000	AED'000
Loss for the year	(927,677)	(147,834)
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	39,070
Reclassification to income statement		
Interest rate swap hedge reserve recycled to the consolidated income statement	(22,512)	(20,414)
Other comprehensive income for the year	29,148	18,656
Total comprehensive loss for the year	(898,529)	(129,178)

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital	Statutory reserve	Reserve for own shares	Accumulated losses	Hedging reserve for interest rate swaps	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2012	1,655,000	31,546	(46,706)	(303,502)	(47,804)	1,288,534
Comprehensive loss						
Loss for the year	-	-	-	(147,834)	-	(147,834)
Other comprehensive loss						
Hedge reserve	-	-	-	-	18,656	18,656
Total comprehensive (loss) / income for the year	-	-	-	(147,834)	18,656	(129,178)
Transactions with owners						
Sale of treasury shares (Note 27)	-	-	20,370	-	-	20,370
Transfer of reserve to accumulated losses on sale of treasury shares (Note 27)	-	-	26,336	(26,336)	-	-
At 31 December 2012	1,655,000	31,546	-	(477,672)	(29,148)	1,179,726
Comprehensive loss						
Loss for the year	-	-	-	(927,677)	-	(927,677)
Other comprehensive loss						
Hedge reserve	-	-	-	-	29,148	29,148
Total comprehensive (loss)/ income for the year	-	-	-	(927,677)	29,148	(898,529)
At 31 December 2013	1,655,000	31,546	-	(1,405,349)	-	281,197

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2013 AED'000	2012 AED'000
Operating activities			
Loss for the year		(927,677)	(147,834)
Adjustments for:			
Depreciation	6	56,912	64,706
Impairment of goodwill	7	292,804	89,747
Provision for impairment of capital work-in-progress	6	108,045	-
Net realisable value adjustment on vessels classified as held for sale	24	262,661	-
Share of loss in jointly controlled entities	8	8,578	23,707
Provision for employees' end of service benefits	16	233	469
Profit on sale of vessels, property and equipment		(242)	-
Provision for impairment of trade receivables	10	1,651	10,198
Finance income		(4,495)	(2,234)
Finance costs	28	59,762	59,476
Operating cashflows before working capital changes and payment of employees' end of service benefits		(141,768)	98,235
Payment of employees' end of service benefits	16	(268)	(235)
Changes in working capital:			
Inventories	9	(6,941)	11,574
Due from a related party, excluding finance income		(732)	734
Trade and other receivables before movement in provision for impairment and write offs	10	14,978	33,043
Trade and other payables	17	205,448	(34,831)
Due to related parties	18	5,129	886
Net cash generated from operating activities		75,846	109,406
Investing activities			
Purchase of vessels, property and equipment	6	(10,306)	(5,096)
Proceeds from disposal of vessels, property and equipment		7,320	-
Interest received		2,772	506
Adjustments in investment	8	204	-
Withdrawal of term deposits	26	25,800	90,973
Net cash generated from investing activities		25,790	86,383
Financing activities			
Repayment of borrowings	15	(86,924)	(94,584)
Loan from related parties	18	10,980	-
Proceeds from sale of shares	27	-	20,370
Dividends paid		-	-
Interest paid	28	(42,706)	(51,382)
Net cash used in financing activities		(118,650)	(125,596)
Net (decrease) / increase in cash and cash equivalents		(17,014)	70,193
Cash and cash equivalents at beginning of year		50,215	(19,978)
Cash and cash equivalents at end of year	11	33,201	50,215

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2013

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 Lake Towers, Dubai, United Arab Emirates.

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

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

The Group also has interests in the following joint ventures:

Joint ventures	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

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

The Group incurred a loss of AED 927,677 thousand during the year ended 31 December 2013 and, as of that date; the Group had accumulated losses of AED 1,405,349 thousand which represents more than one half of the share capital. In accordance with 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 (Note 12). The ability of the Group to continue as a going concern is reliant upon continued availability of external debt financing and additional equity. At 31 December 2013, the Group was in breach of the terms of the loan agreements with its lenders. Further during the year, the Group was unable to make payment of a loan instalment of USD 938 thousand (AED 3,433 thousand) which was due in July 2013 (Note 15). These breaches gave the lenders the right to call an event of default and by further notice, declare that all the loans are payable on demand. Accordingly, the Group's bank borrowings are classified as current liabilities at 31 December 2013. These events have resulted in the Group having a net current liability position at 31 December 2013 of AED 699,561 thousand. On 13 September 2013 and 3 October 2013, two of the Group's vessels, Gulf Sheba and Gulf Eyadah, were arrested at the instructions of the lenders at the Port of Rotterdam and at the Port of Bahamas respectively. Notwithstanding such arrest, management was in continued discussions with its lenders to proceed for a consensual sale of both vessels and restructure the payment of the shortfall of loans relating to these vessels. Subsequent to the year ended 31 December 2013, the Group has completed the sale of the aforesaid two vessels on 17 February 2014 for a total consideration of AED 368,200 thousand including the bunker inventory on the vessels (Note 24).

The Group's management are continuing their discussions with the lenders to restructure the repayment of the shortfall. 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 alternatives, the Group would be dependent on market based asset values to repay its borrowings. As a result, there exists a material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, assets may be realised at significantly less than book value and additional liabilities may arise.

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

The Directors, after reviewing 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, 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 2013:

- IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 July 2012);
- IAS 19 (amendment), 'Employee benefits' (effective from 1 January 2013);
- IFRS 7 (amendment), 'Financial instruments: Disclosures' (effective from 1 January 2013);
- IFRS 10, 'Consolidated financial statements' (effective from 1 January 2013);
- IFRS 11, 'Joint arrangements' (effective from 1 January 2013);
- IFRS 12, 'Disclosures of interests in other entities' (effective from 1 January 2013); and
- IFRS 13, 'Fair value measurement' (effective from 1 January 2013).

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

b. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted by the Group

- IAS 32 (amendment), 'Financial instruments: Presentation' (effective from 1 January 2014);
- IAS 36 (amendment), 'Impairment of assets' (effective from 1 January 2014);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2014); and
- IFRS 9, 'Financial instruments' (effective date deferred by IASB).

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 company'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 consolidated income statement.

(b) Subsidiaries

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 income statement (note 2.5).

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.

(c) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. 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 cash equivalents' and 'term deposits' in the consolidated balance sheet (Notes 10, 18, 11 and 26).

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 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 first in first out (FIFO) method 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, 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 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.

Revenues associated with voyage charter are recognised by reference to the stage of completion of the voyage at the end of the reporting period.

Net pool revenue represents the share in pool revenue of VL8 INC. The pool revenue is distributed to each participant according to a formula that takes into account an earnings factor allocated to each pool vessel.

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. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury 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 have 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.

The Group manages its cashflows interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowing from floating rate to fixed rate. Generally, the Group raises long term borrowing at floating rate and swap them into fixed rate that are lower than those available if Group borrowed at fixed rate directly. Under the interest rate swap the Group agrees with other party to exchange at specified interval (primarily quarterly) the difference between the fixed contract rate and floating rate interest amount calculated by reference to the agreed notional amount.

Had bank borrowing interest rate shift 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 1,809 thousand for the year ended 31 December 2013 (2012: AED 1,666 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 and deposits with banks. 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	2013 AED'000	2012 AED'000
Banks			
A	A2	13,274	18,382
B	Baa1	1,263	727
C	A1	3,699	17,214
D	Baa1	843	1,443
E	A2	2,693	967
F	Aa3	11,271	11,413
G	A1	3	3
Cash and bank balances (excluding cash on hand)		33,046	50,149

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	1 to 5 years AED'000	More than 5 years AED'000
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	-	-
At 31 December 2012					
Trade and other payables (excluding advance from customers and dividend payable)	29,945	29,945	29,945	-	-
Due to related parties	9,589	9,589	9,589	-	-
Borrowings	930,145	*930,145	*930,145	-	-
Interest rate swap liabilities	29,148	30,748	23,493	7,255	-
	998,827	1,000,427	993,172	7,255	-

* Does not include cash flows with respect to interest payments, since the borrowings are classified as current liabilities (Note 15).

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 shareholder' as shown in the consolidated balance sheet less 'cash and cash equivalents' as shown in the consolidated balance sheet. Total capital is calculated as 'total equity' as shown in consolidated balance sheet plus net debt.

	2013 AED'000	2012 AED'000
Total borrowings	854,201	930,145
Cash and cash equivalents	(33,201)	(50,215)
Net debt	821,000	879,930
Total equity	281,197	1,179,726
Total capital	1,102,197	2,059,656
Gearing ratio	74.4%	42.7%

3.3 FAIR VALUE ESTIMATION

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

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

	Level 2 AED'000
31 December 2013	
Interest rate swap liabilities	-
31 December 2012	
Interest rate swap liabilities	29,148

- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.
- The Group did not have any other financial assets or liabilities that are measured at fair value at 31 December 2013 and 2012.

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:

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. During the year two vessels were classified as held for sale and an impairment charge of AED 262,661 thousand was recognised (Note 24).

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).

An impairment charge of AED 292,804 thousand arose in the vessel chartering CGU during the course of 2013, resulting in the carrying amount of CGU being written down to its recoverable amount.

If the budgeted gross margin used in the value in use calculation for the vessel chartering CGU (excluding chemical tankers which are under long term time charter) had been 5% lower than management's estimates at 31 December 2013, no impairment charge would have been recognised.

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 than management's estimates at 31 December 2013, 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 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 does not meet the quantitative thresholds required by IFRS 8, and the results of these operations are included in the 'other' column.

Effective 1 October 2013, the Group re-allocated the activities and results of its crew boat operations to its vessel owning and chartering segment, these crew boats are now reviewed by the Board of Directors and chief operating decision-maker as part of such segment notwithstanding that operational management is delegated to the agency division. In line with this change, the segment information has been restated accordingly.

The effect of restatement on these consolidated financial statements is summarised as follows:

	Vessel owning and chartering (Previously stated)	Effect of reclassification	Vessel owning and chartering (Restated)	Agency (Previously stated)	Effect of reclassification	Agency (Restated)
			2012			
Operating revenue	178,405	10,787	189,192	20,345	(10,787)	9,558
Finance income	25	-	25	-	-	-
Other income	275	-	275	67	-	67
Operating costs	(134,333)	(4,975)	(139,308)	(11,345)	4,975	(6,370)
Finance costs	(59,284)	-	(59,284)	(33)	-	(33)
General and administrative expenses	(14,483)	(1,878)	(16,361)	(3,757)	1,878	(1,879)
Impairment of goodwill	(89,747)	-	(89,747)	-	-	-
Expenses relating to assets classified as held for sale	-	-	-	-	-	-
Share of (loss) / profit in jointly controlled entities – net	(23,707)	-	(23,707)	-	-	-
Reportable segment (loss) / profit	(142,849)	3,934	(138,915)	5,277	(3,934)	1,343
			31 December 2012			
Reportable segment assets	4,141,423	7,803	4,149,226	57,875	(7,803)	50,072
Reportable segment liabilities	4,316,814	-	4,316,814	34,686	-	34,686

For the year ended 31 December 2013, operating revenue and net profit attributable to crew boat operations amounted to AED 11,467 thousand and AED 3,651 thousand respectively. As of that date, total reportable assets and liabilities attributable to crew boat operations amounted to AED 7,060 thousand and 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 its performance, and for which discrete financial information is available.

OPERATING SEGMENTS

Information about reportable segments, all figures in AED'000

	Vessel owning and chartering	Commercial	Agency	Other	Intersegment elimination	Total	Vessel owning and chartering (Restated)	Commercial	Agency (Restated)	Other	Inter segment elimination	Total
	2013						2012					
Operating revenue	118,511	2,748	15,412	-	-	136,671	189,192	2,275	9,558	-	-	201,025
Finance income	2,755	-	-	1,740	-	4,495	25	-	-	2,209	-	2,234
Other income	5,426	715	60	1,175	-	7,376	275	638	67	872	-	1,852
Operating costs	(135,135)	(1,982)	(11,083)	-	76	(148,124)	(139,308)	(1,687)	(6,370)	-	56	(147,309)
Finance costs	(58,436)	(2)	(39)	(1,285)	-	(59,762)	(59,284)	(1)	(33)	(158)	-	(59,476)
General and administrative expenses	(127,621)	(900)	(1,894)	(65,830)	-	(196,245)	(16,361)	(863)	(1,879)	(13,603)	-	(32,706)
Impairment of goodwill	(292,804)	-	-	-	-	(292,804)	(89,747)	-	-	-	-	(89,747)
Provision for impairment of capital work-in-progress	(108,045)	-	-	-	-	(108,045)	-	-	-	-	-	-
Expenses relating to assets classified as held for sale	(262,661)	-	-	-	-	(262,661)	-	-	-	-	-	-
Share of (loss) / profit in jointly controlled entities – net	(8,578)	-	-	-	-	(8,578)	(23,707)	-	-	-	-	(23,707)
Reportable segment (loss) / profit	(866,588)	579	2,456	(64,200)	76	(927,677)	(138,915)	362	1,343	(10,680)	56	(147,834)
						At 31 December 2013						At 31 December 2012
Reportable segment assets	3,853,422	14,906	65,722	3,341,384	(5,850,989)	1,424,445	4,149,226	11,676	50,072	3,643,679	(5,654,185)	2,200,468
Reportable segment liabilities	4,504,525	14,776	43,487	2,394,616	(5,814,156)	1,143,248	4,316,814	12,125	34,686	2,274,382	(5,617,265)	1,020,742

6 VESSELS, PROPERTY AND EQUIPMENT

	Vessels	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Vehicles	Capital-work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost								
At 1 January 2012	1,629,509	8,885	2,385	1,307	268	518	107,750	1,750,622
Additions	4,194	-	160	445	2	-	295	5,096
At 31 December 2012	1,633,703	8,885	2,545	1,752	270	518	108,045	1,755,718
Additions	10,292	-	-	14	-	-	-	10,306
Disposal	-	(8,885)	-	-	-	-	-	(8,885)
Asset classified as held for sale (Note 24)	(755,713)	-	-	-	-	-	-	(755,713)
At 31 December 2013	888,282	-	2,545	1,766	270	518	108,045	1,001,426
Depreciation and impairment losses								
At 1 January 2012	186,112	1,448	1,750	1,050	237	330	-	190,927
Charge for the year	63,857	297	214	242	17	79	-	64,706
At 31 December 2012	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
Disposal	-	(1,807)	-	-	-	-	-	(1,807)
Asset classified as held for sale (Note 24)	(134,742)	-	-	-	-	-	-	(134,742)
At 31 December 2013	171,680	-	2,140	1,454	261	461	108,045	284,041
Net book amount								
At 31 December 2013	716,602	-	405	312	9	57	-	717,385
At 31 December 2012	1,383,734	7,140	581	460	16	109	108,045	1,500,085

Vessels with a book value of AED 685,772 thousand (2012: AED 1,349,439 thousand) and vessels classified as held for sale (Note 24) with a book value of AED 358,680 thousand (2012: AED Nil) as at 31 December 2013 are mortgaged as security for borrowings (Note 15).

During the year, the Group's two vessels, classified as held for sale (Note 24), were arrested at the Port of Rotterdam and at the Port of Bahamas on 13 September and 3 October 2013 respectively. Subsequent to the year end, 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 on 17 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 has been recognised in the consolidated income statement.

During the year, a building with a net book amount of AED 7,078 thousand (2012: AED Nil) was sold for a consideration of AED 7,320 thousand to a related party (Note 18) and leased back on an operating lease.

The Group's management had previously contracted with a shipyard ("the Contractor") for the construction of two new vessels. The carrying amount of advances recorded as part of capital work-in-progress as of 31 December 2013 is AED 106,506 thousand (31 December 2012: AED 106,506 thousand). 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 provided for the entire amount of the capital work-in-progress amounting to AED 108,045 thousand which includes the aforesaid advance of AED 106,506 thousand.

7 GOODWILL

	2013	2012
	AED'000	AED'000
Goodwill	428,803	518,550
Impairment charge	(292,804)	(89,747)
	135,999	**428,803**

The goodwill as of 31 December 2013 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. 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 business. Goodwill is monitored by the management at the operating segment level. Goodwill has been allocated to the vessel owning and charter segment.

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

Key assumptions used in value in use calculations are:

Gross margin

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

	2013	2012
Growth rate	2%	0% to 2.5%

Discount rates

8% (2012: 7.5%) reflects management's benchmark for evaluating investment proposals.

Based on the above computation, an impairment charge of AED 292,804 thousand (2012: AED 89,747 thousand) was recognised during the year. For sensitivity analysis, please refer Note 4.

8 INVESTMENT IN JOINT VENTURES

	2013	2012
	AED'000	AED'000
As at 1 January	111,902	135,609
Share of loss in joint ventures	(8,578)	(23,707)
Adjustments in investment	(204)	-
	103,120	111,902

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	
	2013	2012	2013	2012
	AED'000	AED'000	AED'000	AED'000
Current assets	6,048	5,970	31,054	66,204
Non-current assets	123	249	602,135	629,799
Current liabilities	(725)	(1,109)	(20,390)	(60,270)
Non-current liabilities	(1,291)	(1,000)	(379,139)	(416,242)
Net assets	4,155	4,110	233,660	219,491
Revenue	8,334	8,719	93,992	64,687
Expenses	(6,830)	(9,390)	(112,652)	(111,430)
Profit / (loss) for the year	1,504	(671)	(18,660)	(46,743)

9 INVENTORIES

	2013	2012
	AED'000	AED'000
Spare parts	4,744	5,619
Vessel oil and lubricants	1,510	3,501
Others	87	170
	6,341	9,290

10 TRADE AND OTHER RECEIVABLES

	2013 AED'000	2012 AED'000
Current		
Trade receivables	24,338	32,962
Less: provision for impairment of trade receivables	(16,716)	(17,855)
	7,622	15,107
Award receivables	5,914	5,914
Advance to suppliers	4,311	1,191
Prepayments	1,477	1,931
Other receivables	8,991	20,801
	28,315	44,944

As at 31 December 2013, trade receivables of AED 7,622 thousand (2012: 15,107 thousand) were past due but not impaired. The ageing of these trade receivables is as follows.

	2013 AED'000	2012 AED'000
Up to 150 days	6,752	4,924
More than 150 days	870	10,183
	7,622	15,107

As at 31 December 2013, trade receivables with a nominal value of AED 16,716 thousand (2012: AED 17,855 thousand) were impaired. The movement in the provision for impairment of receivables is as follows:

	2013 AED'000	2012 AED'000
At 1 January	17,855	15,372
Charge for the year (Note 22)	1,651	10,198
Amounts written off	-	(7,715)
Amounts reversed from provisions	(2,790)	-
At 31 December	16,716	17,855

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.

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

11 CASH AND CASH EQUIVALENTS

	2013 AED'000	2012 AED'000
Cash on hand	155	66
Cash at bank	33,046	50,149
	33,201	50,215

12 SHARE CAPITAL

Authorised, issued and fully paid up:

	2013 AED'000	2012 AED'000
910,000,000 shares of AED 1 each paid in cash	910,000	910,000
745,000,000 shares of AED 1 each paid in kind (i)	745,000	745,000
	1,655,000	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% share holding 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, and a granting of 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 Company for its plan to increase the share capital by issuance of mandatory convertible bonds of up to USD 130 million and authority to 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 issued against the bonds at the time of conversion should 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 ownership percentage of non-UAE citizens from 20% to 49% of share capital.

As of the reporting date, the legal formalities to implement the above resolutions were in progress.

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. No transfer has been made in the current year because the Company incurred a loss in the year ended 31 December 2013.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Group terminated the interest rate swap contract during the year ended 31 December 2013. The terms of the contract had been negotiated to match the terms of the loan agreements relating to specific loan tranches. During the year, the fixed interest rate relating to the interest rate swap contracts entered into with certain banks was 4.495% (2012: 4.495%) and the associated floating LIBOR rates varied from 0.42% to 0.73% (2012: 0.42% to 0.73%). As at 31 December 2013, the interest rate swap contracts were terminated hence the total notional amount was AED Nil (2012: AED 640,646 thousand).

15 BORROWINGS

	2013 AED'000	2012 AED'000
Current		
Borrowings	843,221	930,145

The movement of bank borrowings are summarised as below

	Term-loan I AED'000	Term-loan II AED'000	Term-loan III AED'000	Total AED'000
Balance at 1 January 2013	207,541	531,893	190,711	930,145
Less: repaid during the 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%
Balance at 1 January 2012	237,031	567,861	219,837	1,024,729
Less: repaid during the year	(29,490)	(35,968)	(29,126)	(94,584)
Balance at 31 December 2012	207,541	531,893	190,711	930,145
Average nominal interest rate	3.60%	1.05%	3.60%	2.75%

Term loan I

The term-loan of AED 311,100 thousand was availed by the Group to acquire ships costing AED 402,600 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 20 semi-annual instalments of AED 9,150 thousand commencing from 28 January 2008. A repayment of AED 16,749 thousand was made during the year.

Term loan II

The term-loan of AED 676,331 thousand was availed by the Group to acquire ships costing AED 795,684 thousand. This loan carries interest at LIBOR plus 0.7% per annum and is payable in 39 quarterly instalments commencing from 1 August 2008 and a final payment of AED 279,874 thousand on 31 March 2019. During the year, the repayment of AED 61,033 thousand includes AED 23,869 thousand, which was paid as an early payment under the provision of an agreement drawn to reset the original debt covenants.

Term loan III

The term-loan of AED 236,070 thousand was availed by the Group to acquire ships costing AED 337,295 thousand. This loan carries interest at LIBOR plus 2.8% per annum and is payable in 23 quarterly instalments commencing from 26 April 2011. A repayment of AED 9,142 thousand was made during the year.

The above bank loans are secured by the following:

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

The significant covenants for the above loans are as follows:

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

At 31 December 2013, the Group was in breach of the terms of agreements with various 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 have been classified as current liabilities at 31 December 2013. This resulted in the Group having a net current liability position at 31 December 2013 of AED 581,890 thousand. Subsequent to the year-end, the Group sold and delivered two of its existing vessels and raised proceeds of AED 368,200 thousand (including lubes and bunker on board) which were used to substantially settle related loans. After such repayment, a shortfall remains unpaid and the Company is currently in discussions with the lenders to agree on repayment terms for such shortfall. Apart from the loans linked to the sold vessels, the Group's remaining facilities with other lenders are otherwise being repaid on time.

16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2013 AED'000	2012 AED'000
Balance at 1 January	1,412	1,178
Charge for the year (Note 23)	233	469
Payments during the year	(268)	(235)
	1,377	1,412

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 2013 and 2012, 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% (2012: 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% (2012: 2.54%). The present values of the obligations at 31 December 2013 and 2012 are not materially different from the provision computed in accordance with the UAE Labour Law.

17 TRADE AND OTHER PAYABLES

	2013 AED'000	2012 AED'000
Trade payables	19,391	11,065
Dividend payable	11,270	11,412
Advance from customers	8,626	9,091
Other accruals and payables	233,665	18,880
	272,952	50,448

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:

	2013 AED'000	2012 AED'000
Management fees charged by a jointly controlled entity	4,787	4,128
Sale of a building to a share holder	7,320	-
Office rental charged by a share holder	580	-
Office rental charged by a director	70	-

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

	2013 AED'000	2012 AED'000
Due from related parties		
Non-current		
Gulf Stolt Tankers DMCCO (Joint venture) (i)	25,631	25,631
Current		
Gulf Stolt Tankers DMCCO (Joint venture)	4,143	3,671
Gulf Stolt Ship Management Group JLT (Joint venture)	1,983	-
	6,126	3,671
Due to related parties		
Shareholders of Gulf Navigation LLC (ii)	5,914	5,914
Gulf Stolt Ship Management Group JLT (Joint venture)	6,736	3,473
Due to directors for directors fee	2,068	202
	14,718	9,589

	2013 AED'000	2012 AED'000
Loan from related parties		
Directors/Shareholders (iii)	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 drawn down loans from directors/shareholders on following terms:

	Loan I AED'000	Loan II AED'000	Loan III AED'000	Total AED'000
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	2013 AED'000	2012 AED'000
Salaries and benefits	2,105	2,079
End of service benefits	16	118
	2,121	2,197

19 OPERATING REVENUE

	2013 AED'000	2012 AED'000
Vessel chartering	107,044	178,405
Ship agency	26,879	20,345
Commercial agency	2,748	2,275
	136,671	**201,025**

20 VOYAGE RELATED DIRECT COSTS

Bunkering	365	8,071
Commission on freight	-	377
Cargo related survey, hold cleaning charges and other related expenses	1,169	1,440
	1,534	9,888

21 OTHER OPERATING COSTS

Vessel chartering:		
Ship running	60,726	59,909
Vessel depreciation	52,169	59,694
Ship repair	2,871	3,317
Dry docking costs written-off	2,236	1,484
Others	9,615	-
Ship agency:		
Operating costs	16,279	10,616
Vessel depreciation	712	714
Commercial agency:	1,982	1,687
	146,590	137,421

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2013 AED'000	2012 AED'000
Staff costs (Note 23)	8,467	11,207
Provision for impairment of trade receivables (Note 10)	1,651	10,198
Legal claims*	164,957	-
Professional fees	6,979	4,676
Other administrative expenses	14,191	6,625
	196,245	32,706

* Legal claims comprise of unfavourable arbitration awards with respect to two legal matters. The Company intends to appeal the awards before the deadline set for appeal lapses.

23 STAFF COSTS

	2013 AED'000	2012 AED'000
Salaries and wages	6,387	8,293
Employees' end of service benefits (Note 16)	233	469
Other benefits	1,847	2,445
	8,467	**11,207**

24 NON-CURRENT ASSETS HELD FOR SALE

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

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

	2013 AED'000	2012 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	-

Subsequent to the year end, 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 on 17 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 has been recognised in the consolidated income statement.

25 LOSS PER SHARE

	2013	2012
	AED'000	AED'000
Loss for the year	(927,677)	(147,834)
Weighted average number of shares outstanding during the year (in thousands)	1,655,000	1,601,115
Basic and diluted loss per share	(AED 0.560)	(AED 0.092)

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Group and held as treasury shares. 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 loss per share is equal to basic loss per share.

26 TERM DEPOSITS

	Term deposit I (i)	Term deposit II (ii)	**Total**
	AED'000	AED'000	AED'000
At 1 January 2012	**75,000**	**41,900**	**116,900**
Less: Withdrawals during the year	(75,000)	(15,973)	(90,973)
At 31 December 2012	-	25,927	25,927
Less: Withdrawals during the year	-	(25,800)	(25,800)
At 31 December 2013	**-**	**127**	**127**

(i) Term deposit of AED Nil (2012: Nil) relates to a Murabaha deposit held with a bank in relation to the Group's overdraft facility. The amount has been withdrawn from the bank during the year 2012.

(ii) Term deposit of AED 25,927 thousand (2012: AED 25,927 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. The amount has been withdrawn from the bank during the year.

27 RESERVE FOR OWN SHARES

During the year, the Group has sold 82,424,083 own shares, which were purchased in 2010 for AED 46,706 thousand, for a consideration of AED 20,370 thousand. The loss of AED 26,336 thousand on sale of these shares has been transferred from reserve for own shares to accumulated losses.

28 FINANCE COSTS

	2013 AED'000	2012 AED'000
Interest on bank borrowings	37,250	39,062
Interest rate swap hedge reserve recycled to the consolidated income statement	22,512	20,414
	59,762	**59,476**

29 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 are as follows:

	2013 AED'000	2012 AED'000
Not later than one year	98,857	101,528
Between one year and five years	395,426	406,114
Beyond five years	471,439	592,342
	965,722	1,099,984

30 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Loans and receivables	
	2013 AED'000	2012 AED'000
Financial assets		
Trade and other receivables (excluding advance to suppliers and prepayments)	22,527	41,822
Due from a related party	31,757	29,302
Term deposits	127	25,927
Cash and cash equivalents	33,201	50,215
	87,612	147,266
Financial liabilities		
Derivative financial liabilities		
Interest rate swap liabilities	-	29,148
Other financial liabilities		
Trade and other payables (excluding advance from customers and dividend payable)	253,056	29,945
Due to related parties	14,718	9,589
Loan from related parties	10,980	-
Borrowings	843,221	930,145
	1,121,975	969,679

31 COMMITMENTS

There was no capital expenditure contracted for at 31 December 2013 and 2012.

32 GUARANTEES

	2013 AED'000	2012 AED'000
Bank guarantees	1,220	25,818

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

33 DIVIDEND

No dividend is proposed for 2013 (2012: AED Nil).