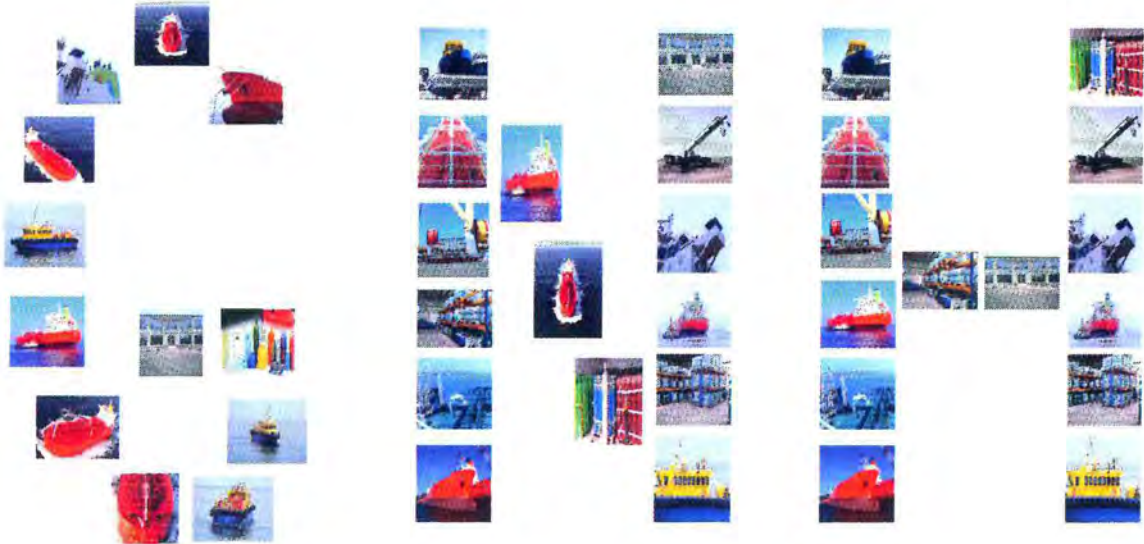




الخليج للملاحة القابضة (ش.م.ع.)
Gulf Navigation Holding PJSC

CORPORATE GOVERNANCE REPORT

2015





الخليج للملاحة القابضة (ش.م.ع.)
Gulf Navigation Holding PJSC

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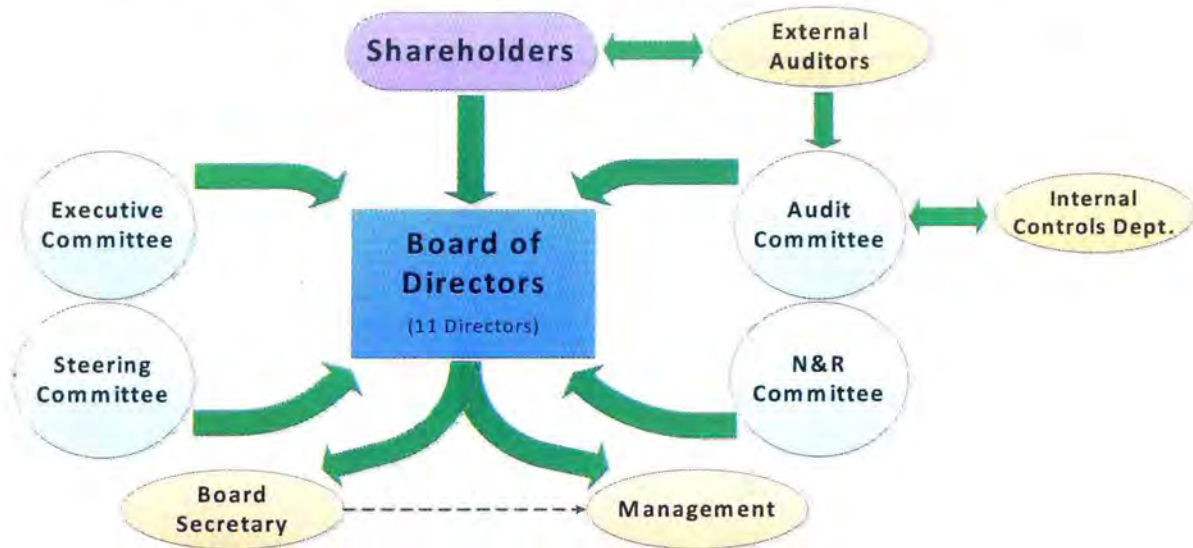
1. CORPORATE GOVERNANCE PRACTICES DURING 2015

- a) Gulf Navigation Holding PJSC (referred hereafter as “GNH” or “Company”) has fully adopted and implemented the relevant corporate governance rules as set out by Securities and Commodities Authority (SCA), i.e., Ministerial Resolution No. 518 of 2009 concerning governance rules and corporate discipline standards.
- b) Adopting and implementing the corporate governance framework is a prime focus of both the Board of Directors (BoDs) and the management; that helps to ensure compliance with rules, regulations, applicable legislations, transparency, increase shareholder value, protect/ safeguard the interest of stakeholders and mitigating business risks appropriately.
- c) Gulf Navigation Holding is fully committed to apply the corporate governance standards and other related best practices which have been carefully studied, compiled and documented in the form of ‘Corporate Governance Manual’. This manual governs the activities/functions of the Company and lays down clear framework, roles and responsibilities of the BoDs and its Committees, relationship between the BoDs and Executive Management including the delegations/ powers granted to the Executive Management, code of conduct, controls environment, etc.
- d) Corporate Governance Manual has been duly reviewed and endorsed by the Board of Directors (BoDs) of the Company.
- e) Gulf Navigation Holding has adopted several procedures which has bolstered the corporate governance mechanism within the Company; primarily implementing the Ministerial Resolution No. 518 of 2009 (Governance Rules and Corporate Discipline Standard) and further adopting following practices (but not limited to):
 1. Amendment of Article of Association (AoA), where applicable.
 2. Developed and issued the Corporate Governance Manual.
 3. Board’s Committees have been formed in accordance with the corporate governance requirements- Nomination and Remuneration Committee (NRC) and Audit Committee (AC). Moreover, for the purpose of efficient/ effective control and monitoring mechanism in relation to the Company operations, the Board has devised additional two committees which comprises of Executive Committee (EC) and Steering Committee (SC). All these Committees submit periodic reports/ commentaries to the Board for prompt updates, decision-making and appropriate resolutions (where applicable).
 4. The Board and its Committees have adhered with the required number of meetings (including the duties and responsibilities) as stated by the Ministerial Resolutions No. 518/2009.
 5. Procedures pertaining to the trading of Company’s securities have also been developed and followed in-line with the SCA guidelines.
 6. Code of conduct for the BoDs and employees have been developed and implemented.
 7. Confidential reporting policy exists whereby staffs can directly communicate potential misconducts, malpractices and/or concerns to the Audit Committee.
 8. Annually, each board member signs the ‘Acknowledgement of Independency and Director’s Declaration Form’ as per the template/ format provided by SCA except Mr. Nasser Al Kahtani – the resigned board member in 14th January 2016 –who declined to sign the above forms.
 9. Company website which provides all key information about the Company to the stakeholders, including the disclosures published to the Dubai Financial Market (DFM).
 10. Internal Controls Department exists who functionally reports to the Audit Committee in order to maintain independence.
 11. Internal Controls Dept. (in coordination with the Board Secretary & Compliance Officer) has developed a checklist whereby compliance with the Ministerial Resolution # 518 of 2009 is ascertained/ analyzed on an annual basis, followed by the audit report to the Board.



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Gulf Navigation Holding – CORPORATE GOVERNANCE STRUCTURE



2. BOARD MEMBERS SECURITY DEALINGS

A. Policy for securities issued by Gulf Navigation Holding (Insider Trading)

At GNH, there are set of guidelines to Board Members and employees with respect to transactions in GNH as well as securities of the parent company, subsidiaries and associate companies (where applicable). This policy is always reviewed and revised with the updated version of the SCA's "Regulations as to Disclosure and Transparency" (where applicable).

As per the policy, an employee who is familiar with the essential/ confidential/ undisclosed information which may have an impact on the market share price has been classified under the category of "Restricted Person". Accordingly, Board Members and Company employees are not allowed to trade in GNH securities during probation/ blackout period. Probation / blackout occur over the period when sensitive information is being developed and considered.

In order to bring transparency to the process, each Board member is required to disclose the transaction of their shares (including first degree) on an annual basis. Confirmation is sought from each Board member through a formal mechanism (signed/ acknowledged forms), which includes transaction details.

B. Commitment of the members of the Board of Directors to disclosure requirements on their dealings in the securities of the company

The members of the Board are committed to disclose transactions in the Company securities on an annual basis, in accordance with the mechanism described above. None of the board members executed any trading in the company shares during the year 2015.

Shares owned by the board of directors as of 31st Dec 2015:

Name of Board Member	No. of Shares Owned (Qty)	% of Owned Shares in the Company Capital
Mr. Hazza Al Qahtani	1,585,069	0.287%
Mr. Nasser Al Kahtani	1,572,951	0.285%
Mr. Hakeem Al Otaibi	8,786	0.002%



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3. FORMATION OF BOARD OF DIRECTORS

A. Composition of the Board of Directors

The Board of Directors is responsible for running the Company. The Company Articles of Association includes the way and the method of the composition of Board and the number of its members, as well as their term of office in compliance with governance requirements and applicable Commercial Companies Law. Board members are elected and appointed by the shareholders during the Annual General Assembly meeting (AGM). The Board is also vested with Board authorities to attain the Company's goals and objectives in accordance with the Company's Article of Association.


A new Board member (Mr. Jassim Alseddiki) was appointed effective from 31st October 2015 through a board resolution; the same was then ratified during the General Assembly Meeting held on 18th January 2016.

No other changes were incurred in the Board Composition as of 31st December 2015.



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Details of BoDs as of 31st December 2015 are given in the following table:

Name of Members		Board Position	Type / Nature of Membership	Committee Membership	Date of Appointment in Board	Date of Resignation from the Board
Mr. Hazza Al Qahtani		Chairman	Non-Executive/ Independent	Chairman- Board of Directors	From 21 st Sep 2006 till 4 th Mar 2010 And From 25 th Apr 2013	14 th Jan 2016
H.E Salem Al Zaabi		Vice Chairman	Non-Executive/ Independent	Chairman- Steering Committee/ Member Nomination & Remuneration Committee	25 th Apr 2013	Presently, a board member
Mr. Nasser Al Kahtani		Member	Non-Executive/ Independent	Chairman- Executive Committee/ Member Steering Committee	4 th Mar 2010	14 th Jan 2016
Mr. Abdulla Al Harthy		Member	Non-Executive/ Independent	Chairman- Audit Committee/ Member Executive Committee/ Member Steering Committee	25 th Apr 2013	14 th Jan 2016
Mr. Nizar Al Qannas		Member	Non-Executive/ Independent	Chairman- Nomination & Remuneration Committee/ Member Steering Committee	25 th Apr 2013	Presently, a board member
Mr. Hakeem Al Otaibi		Member	Non-Executive/ Independent	Member Audit Committee/ Member Executive Committee	25 th Apr 2013	14 th Jan 2016
Mr. Mubarak Bin Fahad		Member	Non-Executive/ Independent	Member Audit Committee/ Member Steering Committee	15 th Mar 2014	Presently, a board member
Mr. Magid Al Shamrokh		Member	Non-Executive/ Independent	Member Audit Committee/ Member Nomination & Remuneration Committee	25 th Apr 2013	14 th Jan 2016
Capt. Faisal Al Qahtani		Member	Non-Executive/ Independent	Member Executive Committee	11 th Aug 2011	14 th Jan 2016
Dr. Sandeep Kadwe		Member	Non-Executive/ Non-Independent	Member Executive Committee	25 th Apr 2013	14 th Jan 2016
Mr. Jassim Alseddiqi		Member	Non-Executive/ Non-Independent	None	31 st Oct 2015	Presently, a board member

*Mr. Mubarak Bin Fahad was appointed as a member of Steering Committee effective from 3rd Oct 2015.

*Dr. Sandeep Kadwe resigned from the Managing Director position on 3rd May 2015.

The new board will be elected in the General Assembly Meeting, scheduled on 7th March 2016.



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Qualification/ profile of the Board Members

The experience and qualification of the Board members, as well as their association with other companies (if any) are briefly described below:

1. 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 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.

2. H.E. Salem Ali Al Zaabi – Vice Chairman of Gulf Navigation Holding PJSC / Chairman of Steering Committee/ Member of Nomination & Remuneration Committee

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

In 2004 he held position of Assistant Under-Secretary in Land & Marine Affairs Sector- Ministry of Transportation; and in 2009 he held the position of Executive Director of Land and Marine Affairs Sector, National Transportation Authority; and in 2012 he served as the General Manager of National Transportation Authority. Currently he is serving as Director General of Federal Transport Authority since 2014. During his career, he has served as board member of: Emirates Transport, Supreme Standing Committee for Security of Ports and Airports of UAE, National Standing Committee for preparation of national report and climate change of UAE, Vice Chairman of Emirates Classification Society (Tasneef) and board member of National Committee of the World Trade Organization.

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

3. Mr. Nasser Al Kahtani – Chairman Executive Committee/ Member Steering Committee

Mr. Nasser Al-Kahtani, a Saudi National, is the Executive Director of the Arab Gulf Program for Development - AGFUND. He holds a Master's degree from the University of Miami, and is considered to be one of the most distinguished Arab leaders in the field of international development. Assuming a number of advisory positions and membership of several boards in both public and private sectors, Mr. Al-Kahtani has won the confidence and high esteem of various executive councils functioning in human development and became well known as one of the most influential development leaders in the Arab world.



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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 also one of the founding members of Gulf Navigation Holding PJSC.

4. Mr. Abdulla Al Harthy – Chairman Audit Committee/ Member Executive Committee/ Member Steering Committee

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

5. Mr. Nizar Al Qannas – Chairman Nomination & Remuneration Committee/ Member Steering Committee

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

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

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

6. Mr. Hakeem Al Otaibi – Member Audit Committee/ Member Executive Committee

Mr. Hakeem Al-Otaibi, is a Kuwaiti National. Mr. Al-Otaibi 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.

7. Mr. Mubarak Bin Fahad – Member Audit Committee/ Member Steering Committee

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

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

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



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8. Mr. Magid Al Shamrokh – Member Audit Committee/ Member Nomination & Remuneration Committee

Mr. Magid Al-Shamrokh, a Saudi National holds a PhD in Business Administration and a BSc in Economics and Management Accounting. Since 2005, Mr. 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.

9. Capt. Faisal Al Qahtani – Member Executive Committee

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

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

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

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

10. Dr. Sandeep Kadwe – Member Executive Committee

Dr. Sandeep Kadwe holds PhD in Economics, MBA in Finance, Marketing and a degree in Mechanical Engineering. He has over 24 years of comprehensive experience in various industries including engineering, shipping, public sector undertakings, capital markets, finance, strategy consulting and IT.

Dr. Sandeep has advised several clients, boards and investors across GCC and India for Greenfield & Start up projects, turnaround, sustainability, growth, efficiency improvement, corporate & capital restructuring and raising finance. Dr. Sandeep previously advised Gulf Navigation Co. LLC (before conversion to the PJSC) for the pre IPO and IPO stage. He is also the Director and Managing Consultant of MITCON International which offers specialized Consulting Services in Management, Investment and Technology to large diversified Corporate in the GCC and abroad.

11. Mr. Jassim Alseddiqi – Board Member

Mr. Jassim Alseddiqi is the Managing Director and Chief Executive Officer of Abu Dhabi Financial Group. He is also the Chairman of Reem Finance PJSC (UAE Central Bank licensed Finance Company), and the Chairman of Integrated Capital PJSC (UAE Central Bank licensed Investment Company) and Integrated Securities LLC (SCA licensed broker). Mr. Jassim is also a Board Member at Tourism and Development Investment Company, Qannas Investments Limited and Abu Dhabi Capital Group.

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

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

Mr. Jassim holds a Bachelor of Science in Electrical Engineering from the University of Wisconsin-Madison, and earned his Master's of Science degree in Electrical Engineering from Cornell University in the United States. He also has several publications in international engineering journals.

The membership of the Board of Directors in any other public shareholding companies

The members of the Board of Directors of Gulf Navigation are not members of any other public joint stock companies within the United Arab Emirates. Current positions/ profile of the BoDs are provided in previous section (**Qualification/ profile of the Board Members**)



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B. Female component in the Board during the year 2015

None

C. Reasons for not nominating any female to the Board's membership

In the composition of the current board, there was a female board member but she resigned in March 2014.

D. Statement regarding:

1. Details of Directors' remuneration during the year 2014

The Board of Directors did not receive any remuneration during the year 2014.

2. Details of the proposed Directors' remuneration for 2015 which it will be presented in the General Assembly Meeting for approval

There is no proposal for the Board's remuneration for the year 2015

3. Details of Directors' allowances for attending meetings of the Board and Committees for the financial year 2015 (including previous year 2014)

The Board of Directors are entitled for fixed allowances for attending each Board/ Committee meetings (including any additional work assigned to them by the Chairman). The total value of allowances for the year 2015 amounted to AED 709,140. For details, please refer to the below table:

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	248,000	152,000	(107,000)	293,000
Meeting Expenses	320,160	95,060	920	416,140
Total	568,160	247,060	106,080	709,140

* Certain allowances related to previous years were reversed during the year, as per board decision

Board of Directors' allowances for the previous year (2014):

Description	Board of Directors' Meeting (AED)	Board Committee Meetings (AED)	Allowance to Board members for additional tasks/ assignments (AED)	Total
Attendance Fee	284,000	112,000	152,000	548,000
Meeting Expenses	438,690	128,040	183,664	750,394
Total	722,690	240,040	335,664	1,298,394

Board of Director's allowances budgeted for the current financial period, i.e., 2016 is expected to be AED 1,539,635.



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E. The number of board meetings held during the year 2015, along with dates/attendance & proxies

Board of Directors	14 th Feb	27 th Mar	02 nd May	12 th Jun	08 th Aug	03 rd Oct	31 st Oct	19 th Dec
Mr. Hazza Al Qahtani-Chairman	✓	✓	✓	✓	✓	✓	✓	✓
H.E Salem Al Zaabi-Vice Chairman	✓	✓	✓	✓	X	✓	X	X
Mr. Nasser Al Kahtani	✓	✓	X	✓	X	✓	✓	✓
Mr. Abdulla Al Harthy	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Nizar Al Qannas	✓	✓	✓	✓	✓	✓	✓	X
Mr. Hakeem Al Otaibi	X	X	✓	X	✓	✓	✓	✓
Mr. Mubarak Bin Fahad	✓	X	X	X	✓	✓	X	✓
Mr. Magid Al Shamrokh	X	X	✓	✓	✓	✓	✓	✓
Capt. Faisal Al Qahtani	✓	X	✓	X	X	✓	✓	✓
Dr. Sandeep Kadwe	✓	✓	✓	✓	✓	✓	✓	X
Mr. Jassim Alsiddiqi	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓

*Mr. Jassim Alsiddiqi joined as a board member effective from 31st Oct 2015.

*Dr. Sandeep Kadwe resigned from the position of MD effective from 03rd May 2015 and continued to be a board member.

*Mr. Mubarak could not attend three consecutive meetings and accordingly extended apologies and explained the reasons to the Chairman. The Chairman duly accepted the justifications/ reasons given by the board member.

During the year 2015, following board members gave proxies to other directors to vote on their behalf in the board meetings:

Date of Board Meeting	Absent Board Member	Proxy Granted To
14 th Feb 2015	Mr. Hakeem Al Otaibi	None
	Mr. Magid Al Shamrokh	None
27 th Mar 2015	Mr. Hakeem Al Otaibi	Mr. Abdulla Al Harthy
	Mr. Mubarak Bin Fahad	None
	Mr. Magid Al Shamrokh	Dr. Sandeep Kadwe
	Capt. Faisal Al Qahtani	Mr. Nizar Al Qannas
02 nd May 2015	Mr. Nasser Al Kahtani	Mr. Nizar Al Qannas
	Mr. Mubarak Bin Fahad	None
12 th Jun 2015	Mr. Hakeem Al Otaibi	Mr. Abdulla Al Harthy
	Mr. Mubarak Bin Fahad	H.E Salem Al Zaabi
	Capt. Faisal Al Qahtani	Mr. Nizar Al Qannas
08 th Aug 2015	H.E Salem Al Zaabi	None
	Mr. Nasser Al Kahtani	Mr. Abdulla Al Harthy
	Capt. Faisal Al Qahtani	Mr. Nizar Al Qannas
31 st Oct 2015	H.E Salem Al Zaabi	None
	Mr. Mubarak Bin Fahad	Mr. Abdulla Al Harthy
19 th Dec 2015	H.E Salem Al Zaabi	Mr. Nasser Al Kahtani
	Mr. Nizar Al Qannas	Mr. Magid Al Shamrokh
	Dr. Sandeep Kadwe	None



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F. Tasks and functions carried out by the Executive Management as delegated by the Board of Directors

The Managing Director (MD)/ Chief Executive Officer (CEO) of the Company achieves the work assigned to him, as well as the targets set by the Board and ensure that all departments are managed effectively in terms of resources, operations and profitability. The main tasks assigned to the MD/CEO and Executive Management is to carry out the vision, mission, strategic plans, annual plans, and improve the overall growth and reputation of Gulf Navigation Holding PJSC.

Dr. Sandeep Kadwe (MD) resigned on 03rd May 2015, where Mr. Parag Jain was immediately appointed as Acting Chief Executive Officer by the Board of Directors. He was later confirmed/ promoted as the Chief Executive Officer effective from 19th Dec 2015. The Board have delegated powers to Mr. Parag Jain in his capacity as the CEO of the Company to lead the organization and run day-to-day business/ operational affairs, along with the required power of attorney duly notarized by the Notary Public of Dubai-UAE which includes the representing the Company before all competent authorities and sign on behalf of the Company on all documents.

G. Statement for Related Party Transactions

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:

	2015 AED'000
Finance income – due from a related party	<u>2,117</u>
Finance cost - loan from related parties	<u>1,716</u>
Management fee charged by a jointly controlled entity	<u>3,250</u>
Office rental charged by other related parties	<u>792</u>

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

	2015 AED'000
Due from a related party	
Non-current	
Gulf Stolt Tankers DMCCO (Joint venture) (Note i)	<u>33,419</u>
Current	
Gulf Stolt Tankers DMCCO (Joint venture)	<u>192</u>
Due to related parties	
Current	
Gulf Stolt Ship Management JLT (Joint venture)	6,173
Directors' fees	2,239
Shareholders of Gulf Navigation LLC (Note ii)	-
	<u>8,412</u>
Loan from related parties (Note iii)	<u>10,980</u>



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Note i: The Group provided a loan in 2011 to Gulf Stolt Tankers DMCCO (GST). This loan carries interest of 6.6% per annum.

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

Noted 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 2015	3,660	3,660	3,660	10,980
Balance at 31 December 2015	3,660	3,660	3,660	10,980
Average nominal interest rate	15%	17%	15%	16%

Key Management Remuneration

Salaries, benefits and directors' fees *

*The key compensation excludes expenses reimbursed amounting to AED 417,000.

**Additional details on related party transactions can be obtained from the Financial Statements for the year ended 2015.

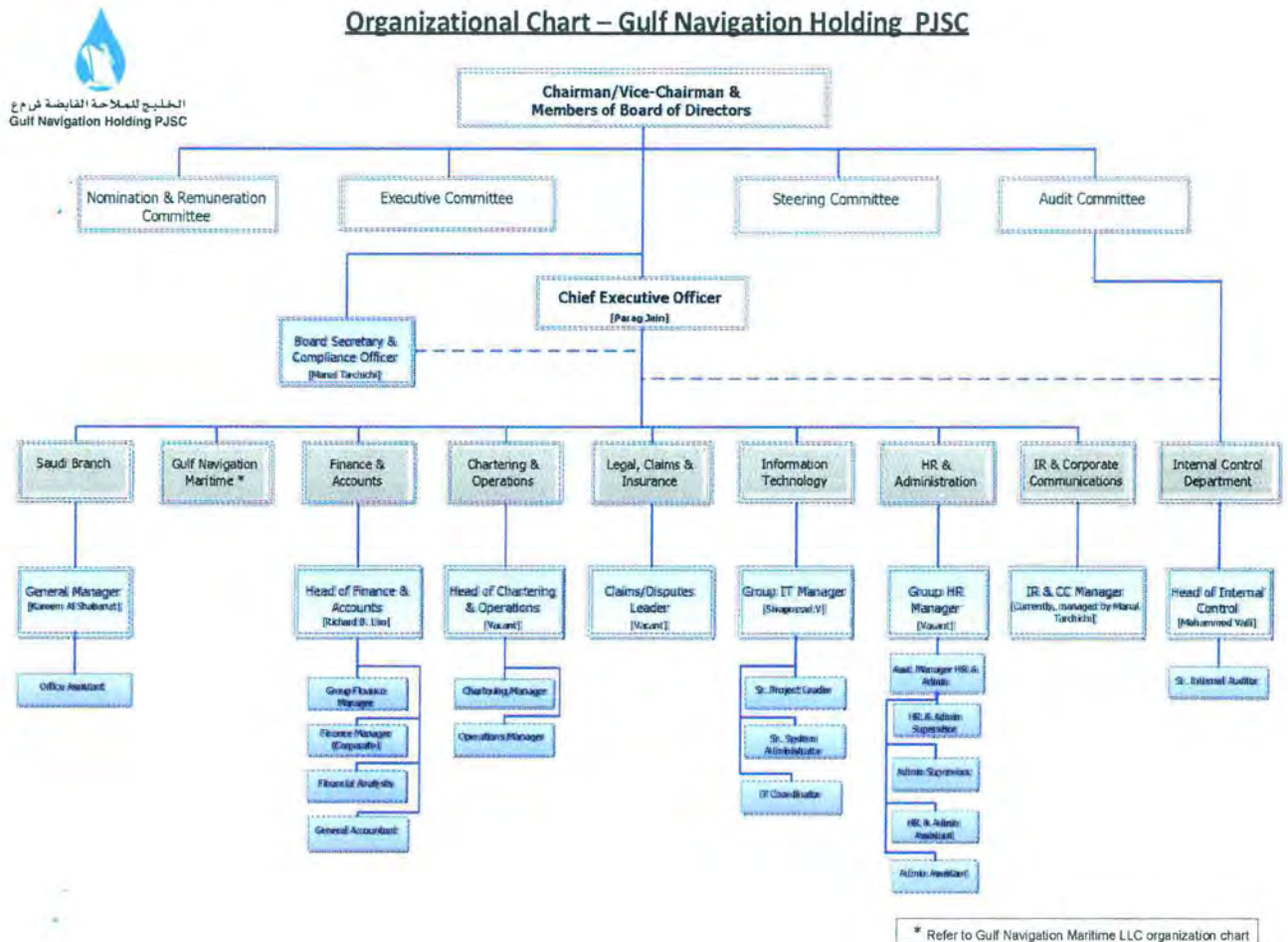
2015
AED'000

1,543



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H. Company's Organizational Chart



I. Statement of senior personnel (executives) in the first and second level as mentioned in the Company's Organizational Chart, their position and their date of appointment along with the salaries and allowances as at 31st December 2015:

Name	Title	Date of Appointment	Date of Resignation	Salaries & Allowances (AED)	Bonus
Dr. Sandeep Kadwe	Managing Director	26-05-2013	03-05-2015	500,000	N/A
Mr. Parag Jain	Vice President - Agencies	03-01-2010	-	828,485	N/A
	Acting CEO	03-05-2015	-		
	CEO	19-12-2015	-		
Mr. Richard Lim	Head of Finance and Accounts	01-09-2013	-	608,416	N/A
Mr. Kareem Al Shabanat	General Manager (KSA)	01-07-2009	-	426,944	N/A
Mr. Sivaprazad V.	Group IT Manager	02-05-2010	-	376,354	N/A
Mr. Mohammed Valli	Head of Internal Controls Dept.	10-04-2014	-	310,787	N/A
Ms. Manal Tarchichi	Board Secretary & Compliance Officer	01-06-2015	-	105,000	N/A



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4. EXTERNAL AUDITORS

A. Overview of the External Auditor

PwC is associated with Gulf Navigation since 2011 for the purpose of annual statutory audit and review of quarterly financial statements (external auditors). PwC is among the leading professional services networks in the world and is one of the Big Four auditing firms. PwC is a network of firms in 157 countries with more than 195,000 people. PwC has been practicing in the UAE for over a quarter of a century and specializes in Audit, Assurance, Business Advisory Services and Taxation. The firm has experience in a number of industries including banking and capital markets, capital projects and infrastructure, education, energy utilities and mining, financial services, government and public sector, health industries, hospitality and leisure, Islamic finance, manufacturing, real estate, and transportation and logistics

B. Appointment, fees and services

General Assembly (held on 26th March 2015) ratified to appoint PricewaterhouseCoopers (PwC), Saudi Accountants and BLS Chartered Accountant for the statutory audits of the group and other related companies with total remuneration amounting to AED 523,600.

At the same time, the shareholders ratified the previous appointment of PwC and Saudi Accountant for the financial years 2012 and 2013 with the amount of AED 242,202 in relation to the audits of Gulf Navigation Holding Branch (KSA) and Gulf Sheba Shipping Limited (Subsidiary in Hong Kong). The external Auditors (PWC) did not provide any other services to the Company during the financial year 2015. On an annual basis, the company requests quotation/ proposal from different audit firms and formal evaluation mechanism (technical/ financial) is performed before selecting the relevant audit firm for the given financial year, which includes approval from the Audit Committee. The external auditors (firms/ fees) are finally approved/ appointed by the shareholders through Annual General Meeting.

Descriptions	PricewaterhouseCoopers (PwC)	Saudi Accountants	BLS Chartered Accountants
Group company audited	Gulf Navigation Holding PJSC / Gulf Stolt Ship Management JLT/ Gulf Stolt Tankers DMCCO/ Gulf Navigation Maritime LLC/ Gulf Sheba Shipping Limited (Hong Kong)	Gulf Navigation Holding – KSA Branch	Gulf Navigation Group FZCO/ Gulf Ship FZE/ Gulf Nav Ship Management FZE/ Gulf Chemical Carriers LLC/ Gulf Crude Carriers LLC
Number of years associated	2011-2015	2008-2015	2015
Total audit fees for the financial statement of 2015 (AED)	AED 403,600 (Gulf Sheba for 2014 AED 50K, included here). Also special approval taken for AED 159,202 to cover the audit fees of 2012 and 2013	AED 70,000 (AED 35,000 related to 2014 included here). Also special approval taken for AED 83,000 to cover the audit fees for 2012 and 2013	AED 50,000 (AED 25,000 related to 2014 audit)
Fees and costs of the special services, in addition to the financial statement audit for the year 2015	AED 32,940	None	None
The details and the nature of the other services	Consultation on accounting treatment for Mandatory Convertible Bonds (MCBs)	None	None
Statement of other services obtained from another external auditors/ consultants	Consultation on accounting treatment for MCBs by Ernst & Young (AED 5,000)	None	None



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5. AUDIT COMMITTEE

A. Statement of Audit Committee members and their tasks/duties

The Audit Committee is composed of the following members as of 31st Dec 2015:

Name of Board Members	Position	Status
Mr. Abdulla Suleiman Alharthy	Chairman Audit Committee	Independent / Non-Executive Director
Mr. Hakeem Al-Otaibi	Member	
Mr. Magid Attalla Al-Shamrokh	Member	
Mr. Mubarak Bin Fahad	Member	

The primary tasks of the Audit Committee include:

- **Internal Control, risk management and regulatory compliance**
 1. Review the Company's financial controls, internal controls and risk management system/ framework.
 2. Discuss the Internal control system with the Management and to ensure that it is operating effectively.
 3. Compliance with the listing and disclosure rules as issued by SCA (including other applicable rules and regulations).
- **Review of financial information**
 1. Ensure integrity of the financial statements while emphasizing any changes to the accounting policies and practices, aspects subject to judgment or estimation, substantial adjustments resulting from the audit, going concern and, compliance with International Financial Reporting Standards.
 2. Consider any significant and unusual matters to be reported in the financial statements and to address concerns raised by the Head of Finance & Accounts, Compliance Officer or External Auditors.
 3. Review the Company's financial and accounting policies and procedures.
 4. Ensure compliance with the listing rules and other legal requirements in relation to financial reporting.
 5. Review and approve annual and quarterly financial statements before submitting to the Board for approval.
- **Relationship with external auditor**
 1. Monitor the independence of the External Auditor and to discuss with the External Auditor the nature, scope and efficiency of the audit in accordance with generally accepted auditing standards.
 2. To ensure that significant findings and recommendations made by the External Auditors and management's proposed responses are received, discussed and appropriately acted on.
 3. To develop and implement policy on the engagement of an External Auditor to supply non Audit services, if any, to ensure that provision of such services would not impair the independency and objectivity of the External Auditor.
 4. Adopt a policy on dealing with the External Auditor and reporting/recommend to the Board any issues that require action on the part of the Board.
 5. Meet with the External Auditors on a periodic basis.
 6. Review and consider (and respond) to any correspondence or queries received from the External Auditor.
 7. Review and recommend the appointment, re-appointment, or replacement of an External Auditor.
 8. Review and approve the remuneration and term of engagement of the External Auditor.



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➤ **Relationship with internal auditor**

1. Develop a policy on confidential reporting by employees. The policy should relate to financial irregularities, internal control matters or other matters of concern to the company. Further, to ensure that proper procedures are in place to allow for independent and fair investigations of reported matters.
2. Ensure that the Internal Audit function is adequately resourced and has an appropriate standing within the Company.
3. Monitor compliance with the Code of Business Conduct.
4. Consider the findings of investigations initiated by the Board of Directors.
5. Ensure coordination between the Internal and External Auditors.
6. Ensure adherence to the Duties & Responsibilities included in the Charters.
7. Ensure that findings and recommendations identified by the Internal Auditors are timely implemented/ resolved by the management.

B. Number of Audit Committee meetings held during the year 2015 along with the dates/ attendees

Name of Board Member	13 th Feb	01 st May	07 th Aug	30 th Oct
Mr. Abdulla Alharthy- Chairman	✓	✓	✓	✓
Mr. Hakeem Al Otaibi	✓	✓	✓	✓
Mr. Mubarak Bin Fahad	✓	✓	X	X
Mr. Magid Al Shamroukh	✓	✓	✓	✓

6. NOMINATION AND REMUNERATION (N&R) COMMITTEE

A. Statement of N&R Committee members and their tasks/duties

The N&R Committee is composed of the following members as of 31st Dec 2015:

Name of Board Members	Position	Status
Mr. Nizar Al Qannas	Chairman N&R Committee	Independent / Non-Executive Director
H.E Salem Al Zaabi	Member	
Mr. Magid Al Shamrokh	Member	

The primary tasks of the N&R Committee are as follows:

- Verification of ongoing independence of independent board members.
- Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to Board members and employees.
- Determination of Company's need for resource and basis of selection.
- Formulation, supervision of application and annual review of the Company's human resources and training policy.
- Organization and follow-up procedure of nomination to the membership of the Board of Directors

B. Number of N&R Committee meetings held during the year 2015 along with dates/ attendee

Name of Board Member	12 th Jun	08 th Aug
Mr. Nizar Al Qannas- Chairman	✓	✓
H.E Salem Al Zaabi	✓	X
Mr. Magid Al Shamrokh	✓	✓



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OTHER COMMITTEES

A. Executive Committee

The Executive Committee is composed of the following members as of 31st Dec 2015:

Name of Board Members	Position	Status
Mr. Nasser Al Kahtani	Chairman Executive Committee	Independent / Non-Executive Director
Mr. Hakeem Al Otaibi	Member	
Mr. Abdulla Al Harthy	Member	
Capt. Faisal Al Qahtani	Member	
Dr. Sandeep Kadwe	Member	Non-independent/ Non-Executive Director

The primary tasks of the Executive Committee are as follows:

- Responsibility for any specific issues delegated by the Board of Directors.
- Review the proposed changes made by the management to the 5-year rolling Strategic Plan and re-define company strategic goals before submitting the final plan to the Board of Directors for approval.
- Give final sign-off approval to all commercial and income / resource diversifying projects, including the purchasing of vessels and other assets (including investments) that have been approved within the annual Strategy setting process.
- Give final sign-off approval to all capital expenditure that exceeds USD1m as previously approved through the annual budget process.
- Give final sign-off approval to all asset disposals (including disposal of vessels) that have been approved within the annual Strategy setting process after approval General Assembly.
- Review and approve the annual budget prepared by the management before submitting to the Board of Directors for their approval.
- As part of the annual review of the 5-year strategic plan evaluate the performance of the Executive Management and submit the recommendations to the Board of Directors.
- Give final sign-off approval to revised remuneration proposals through the annual budget process (in line with N&R Committee's recommendations).

Number of Executive Committee meetings held during the year 2015 along with dates/ attendees

Name of Board Member	14 th Feb	12 th Jun	07 th Aug	31 st Oct	19 th Dec
Mr. Nasser Al Kahtani	✓	✓	✓	✓	✓
Mr. Hakeem Al Otaibi	X	X	✓	✓	✓
Mr. Abdulla Al Harthy	✓	✓	✓	✓	✓
Capt. Faisal Al Qahtani	✓	X	X	✓	✓
Dr. Sandeep Kadwe	✓	✓	✓	✓	X

B. Steering Committee

The Steering Committee is composed of the following members as of 31st Dec 2015:

Name of Board Members	Position	Status
H.E Salem Al Zaabi	Chairman Steering Committee	Independent / Non-Executive Director
Mr. Nizar Al Qannas	Member	
Mr. Nasser Al Kahtani	Member	
Mr. Abdulla Al Harthy	Member	
Mr. Mubarak Bin Fahad	Member	

*Mr. Mubarak Bin Fahad was appointed as a Steering Committee member effective from 3rd Oct 2015.



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The primary tasks of the Steering Committee are as follows:

- Responsibility for any specific issues delegated by the Board of Directors.
- 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
- The Steering Committee will discuss current challenges and opportunities related to managing business during progress of business at Gulf Navigation Holding PJSC, with inputs from 3 committees already constituted, on a common platform, before reporting their suggestions to the board of directors.
- In order to perform duties delegated by Board of Directors, The Steering Committee can invite an industry expert or professional of repute, for their meetings, to seek independent professional opinion on matters related to business improvement.
- The Steering Committee is also expected to recommend/ guide the management in key operational decision making and resolve crisis/challenges.

Number of Steering Committee meetings held during the year 2015 along with dates/ attendees

Name of Board Member	06 th Mar	02 nd Oct
H.E Salem Al Zaabi	✓	✓
Mr. Nizar Al Qannas	✓	✓
Mr. Nasser Al Kahtani	✓	✓
Mr. Abdulla Al Harthy	✓	X
Mr. Mubarak Bin Fahad	N/A	N/A

*Mr. Mubarak Bin Fahad was appointed as a Steering Committee member effective from 3rd Oct 2015.



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7. INTERNAL CONTROL SYSTEM

- a. **Board's responsibility with respect to the internal controls' system, its effectiveness and review mechanism**
 - b. **Dealing with major/ critical problems in the Company**
 - c. **Name of the Internal Control Department Manager with the qualification**
 - d. **Name of the Compliance Officer with the qualification**
- The Internal Control Department (ICD) reports directly to the Board and operates under the stewardship of the Audit Committee. This enables Internal Control to function in an independent and objective manner.
 - The board has the overall responsibility for ensuring adequate internal control systems/ framework within the company.
 - Board reviews the Internal Control deliverables through Audit Committee- highlighting matters discussed and resolutions passed after each meeting of Audit Committee in terms of internal audit assignments, audit follow-ups, special assignments, compliance audit, risk management and governance.
 - ICD executes its duties in accordance with the Charter and Manual of Internal Controls which is duly approved by the Audit Committee. Briefly, ICD is responsible for the following tasks/ activities (but not limited to):
 - Develop and execute annual risk-based internal audit plan which is duly approved by the Audit Committee.
 - Conduct enterprise risk assessment on a periodic basis in order to identify, assess and evaluate the risks surrounding the organization. Accordingly, direct audit resources at high/key risk areas and processes in order to review, recommend and perform follow up on a regular basis to ensure risk appetite of Company is kept at an acceptable level.
 - Submit comprehensive audit reports to the Board of Directors through the Audit Committee providing overview of effectiveness of internal controls/ reasonable assurance over internal controls, improvement opportunities identified, value additions, observations/ weaknesses noted, etc.
 - Provide the necessary support to the executive management to identify and evaluate the risks facing the organization and processes, highlight improvement opportunities and other advisory/ consultation activities.
 - Ensure compliance with the applicable rules, regulations and legislations issued by the Securities and Commodities Authority (SCA), Dubai Financial Market (DFM), Commercial Companies' law, etc.
 - Establish mechanism for employees to communicate directly with the Audit Committee in the event of any irregularity discovered by them (whistle blowing/ confidential reporting).
 - Conduct special assignments/ investigations as per the requests from the Board.
 - Perform independent overview/ analysis over the financial statements and present the same to the Audit Committee along with the audit inputs/comments, variance justifications and commentaries.
 - Major/ critical issues are discussed with the Audit Committee and the senior management. Internal Control department periodically follow-up on such issues to ensure its implementation as per the guidelines of the Board/ Committees.
 - ICD has a formal mechanism to follow-up on all observations raised by Internal Control department during the course of audit engagements and accordingly apprise Audit Committee with the summary of observations, status of open/ closed observations, management action plans, etc.
 - ICD is headed by Mr. Mohammed Valli who brings with him extensive and diversified experience of more than 11 years in terms of internal audit, risk management, internal controls, compliance and governance spanning across different industry sectors such as shipping, transportation, marine services, manufacturing, FMCGs, NGOs, petro-chemicals, etc.
He currently holds certifications from ACCA (Association of Certified Chartered Accountants), AFIA (Association of Forensic & investigative Auditors) and UAECA (United Arab Emirates Chartered Accountants).
 - The Board appointed Ms. Manal Tarchichi as Board Secretary & Compliance Officer in June 2015. She has laudable knowledge and experience in the similar role for more than 10 years had worked for renowned organizations prior to joining Gulf Navigation. Ms. Manal holds a Bachelor degree in Computer Science, along with numerous certifications related to her profession.



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8. VIOLATIONS COMMITTED DURING THE FINANCIAL YEAR 2015

No fines/ penalties have been imposed by SCA/DFM to the Company during the year 2015. However, SCA raised following queries/ concerns during the year via official letters duly received by the Company:

(i) BoD meeting via circulation:

- The company announced/informed to DFM about the board meeting to be held on 13th Dec 2015 (via circulation) less than 2 working days.
- DFM explicitly highlighted this non-compliance to the company, as board meetings must be announced before 2 working days.
- The concerned individuals of the company will be vigilant on such matters going forward.

(ii) Results of BoD meeting held on 13th Dec 2015 (via circulation):

- Following BoD meeting on 13th Dec 2015 held via circulation, the resolutions submitted to the DFM did not contain the attachments regarding the date and agenda of the General Assembly Meeting (GAM).
- DFM instructed the company to provide the date and agenda (subject to SCA's approval).
- On 17th Dec 2015, the company re-issued the letter (disclosure) with the GAM date, location and agenda.
- The company will be cautious and take the necessary steps to avoid recurrence in the future.

9. COMPANY'S CASH AND/OR IN-KIND CONTRIBUTION TO THE LOCAL COMMUNITY DEVELOPMENT AND ENVIRONMENTAL CONSERVATION DURING THE YEAR 2015

We strive to exceed best industry practice and standards for Quality, Health, Safety, Security and Environmental. Application of the current best Industry Practices, Marine Regulations and Standards of Safety, Environment Protection and Security are the priorities of Gulf Navigation Holding that strives for commercial success. All the ships owned by the Gulf Navigation are of highest specifications and are in compliance where possible exceeding, all relevant national, international and statutory environmental legislation and regulations.

These ships are regularly inspected and audited by various international bodies, such as Oil Majors, Classification Society, Port State Control, Flag State Administration and Terminal authorities which they visit.

We are committed to preventing and eliminating pollution in all forms and to implement measures to continually improve our environmental performance.

Environmental issues are incorporated into business planning of all GNH activities to ensure adequate and appropriate measures are employed to protect the environment both ashore and at sea which includes prohibition of certain paints which are harmful to the environment and denizens of the sea. GNH ships are operated to the highest standards using good quality fuel & diesel oils (as per the required standards in different parts of the world) in order to reduce the levels of emissions from ship engines.

Gulf Navigation Maritime LLC, a part of Gulf Navigation Holding, assisted 'The Mission to Seafarers' (MtS) to support sailors to extending technical, operational and crew management support for the world's first purpose-built seafarers support vessel. The UAE brand of MtS Group, a voluntary funded organization established in 1865, owns the dedicated vessel for the Port of Fujairah, the Flying Angel. It provides a base for thousand of seafarers who spend much of their lives at sea and the MtS Group has served millions of seafarers at about 260 ports around the world.

As part of its corporate social responsibility (CSR) activities, Gulf Navigation Maritime, through its branch in the Port of Fujairah, provides technical, operational and crew management for the Flying Angel. The company is committed to extending maritime services to help the seafaring community, which is an integral component of the maritime industry.



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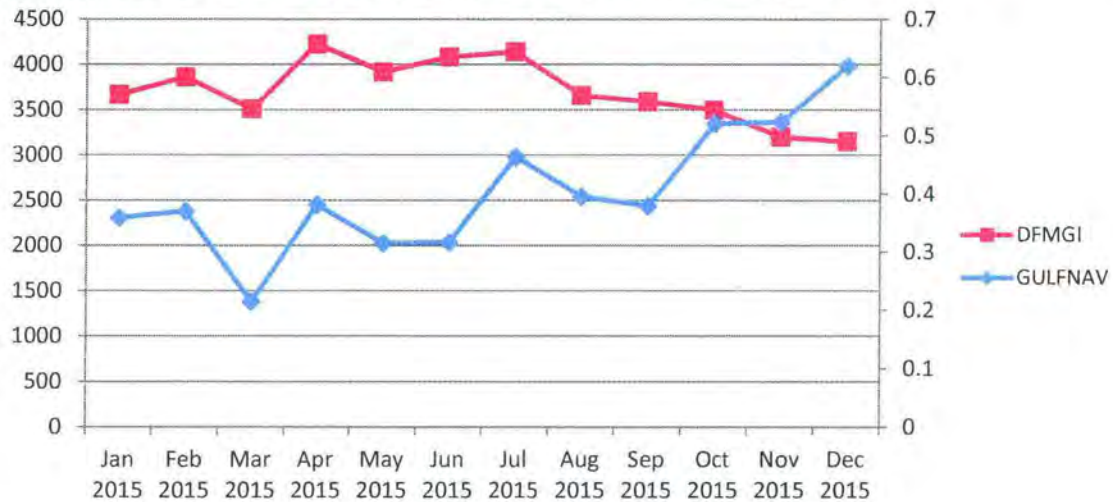
10. GENERAL INFORMATION

A. Company share prices (high/ low/ closing) at the end of each month during 2015

Months (2015)	High (AED)	Low (AED)	Closing Price (AED)
January	0.430	0.356	0.360
February	0.415	0.357	0.371
March	0.373	0.207	0.216
April	0.382	0.210	0.382
May	0.425	0.310	0.316
June	0.347	0.302	0.317
July	0.474	0.310	0.464
August	0.470	0.337	0.396
September	0.420	0.370	0.38.
October	0.552	0.382	0.521
November	0.570	0.432	0.524
December	0.655	0.460	0.620

*above data has been obtained from DFM.

B. Performance of company shares against market index (Dubai Financial Market General Index-DFMGI) and relevant industry sector (transportation) for the year 2015



*above data has been obtained from DFM.

Note: comparison cannot be effectively performed within industry sector index as GNH is the only maritime and shipping company listed on the DFM.



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C. Distribution of the shareholding structure as of 31st Dec 2015

Ownership/ Citizen	Individual	Bank	Company	Institution	Government	Total
Arab	7.60%	-	0.14%	-	-	7.7%
GCC	13.5%	0.15%	9.5%	-	-	23.2%
UAE	41.8%	0.60%	16.3%	4.8%	0.03%	63.5%
Others	5.2%	0.25%	0.09%	-	-	5.5%
Total	68.1%	1%	26.03%	4.8%	0.03%	100%

*above data has been obtained from DFM.

D. Top 5% and above shareholding as on 31st Dec 2015

Investor Name	Qty Owned (No.)	Qty Owned (%)
Integrated Capital PJSC	33,159,753	6.018%

*above data has been obtained from DFM

E. Shareholding distribution based on volume as on 31st Dec 2015

Share Ownership Volume (Qty)	No. of Shareholder s	No. of Shares Owned (Qty)	% of Owned Shares in the Company Capital
Less than 50,000	12,198	55,926,379	10%
50,000 – 500,000	696	104,542,663	19%
500,000 – 5,000,000	122	154,999,653	28%
Above 5,000,000	18	236,197,971	43%
TOTAL	13,034	551,666,666	100%

F. Significant events during the year 2015 (excerpts).

1. Annual General Assembly Meeting (AGM) was held on 26th March 2015.
2. Extraordinary General Meeting (EGM) was held on 30th April 2015, whereby shareholders approved:
 - o BoD proposal to write-off/ adjust legal reserves of AED 32.5m against the accumulated losses (AED 288m) in order to bring the total accumulated losses to less than 50% off the company's share capital.
 - o BoD proposal to convert the lender loans up to USD 60m into shares in the company either directly by issuing shares equivalent to the amount of such loans or indirectly by issuing convertible bonds to the lenders (Mandatory Convertible Bonds- MCBs).
 - o BoD proposal to allow the conversion of bonds into shares at a price less than the nominal value of the share in case the share market price at the time of conversion is less than the share nominal value (if allowed by the UAE laws and regulations), and such proposal if adopted shall also cover the convertible bonds which had already been approved by the shareholders through EGM held on 5th Jan 2014.
3. The company reached major settlement agreement with Nordic American Tankers Limited (NATS). It was agreed that the company will issue MCBs with a face value of AED 37.34m as full and final settlement claims made by NAT, subject to SCA approval.
4. The company did not issue any MCB's as of 31st Dec 2015, awaited SCA approval.



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5. Gulf Navigation Maritime LLC (a part of Gulf Navigation Holding PJSC) signed an agreement with Dana Gas, the Middle East's leading private sector natural gas Company, to provide complete logistics, transportation, marine, and passenger/crew handling services for the Zora Gas Field project.
6. Dr. Sandeep Kadwe resigned from the position of Managing Director and continued his services as a board member. Mr. Parag Jain was then internally appointed as the Acting CEO effective from 03rd May 2015. Later, he was confirmed as the CEO effective from 19th Dec 2015.
7. A new Board member (Mr. Jassim Alseddiqi) was appointed effective from 31st Oct 2015 and the same was ratified through the General Assembly Meeting held on 18th Jan 2016.
8. All material information is also being disclosed to the SCA/DFM and shareholders through periodic financial statements and/or separate disclosure during the year (where applicable).



Salem Ali Al Zaabi

Vice Chairman – Gulf Navigation Holding PJSC

24/2/2016